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IMPACT OF THE GRAMM-RUDMAN-HOLLINGS LAW

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON

GOVERNMENT OPERATIONS

HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

SECOND SESSION

JUNE 18, 19, AND JULY 23, 1986

Printed for the use of the Committee on Government Operations

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IMPACT OF THE GRAMM-RUDMAN-HOLLINGS LAW

WEDNESDAY, JUNE 18, 1986

House of Representatives,
Legislation and National Security Subcommittee
of the Committee on Government Operations,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:15 a.m., in room 2154, Rayburn House Office Building, Hon. Jack Brooks (chairman of the subcommittee) presiding.

Present: Representatives Jack Brooks, Frank Horton, Jim Saxton, and Joseph J. DioGuardi.

Full committee staff present: William M. Jones, general counsel; Donna Fossum, Robert H. Brink, and Robert S. Richard, professional staff members; Stephen M. Daniels, minority staff director and counsel; and Alexander B. Cook, minority professional staff, Committee on Government Operations.

OPENING STATEMENT OF CHAIRMAN BROOKS

Mr. Brooks. The subcommittee will come to order.

The hearings being held today and tomorrow have been called to examine the impact, to date, of the Gramm-Rudman-Hollings law and explore its anticipated consequences in the coming months.

The law was a 52-page amendment to the 7-line debt ceiling bill last fall. Its objective was to force the Federal Government to balance its budget by 1991.

To achieve a balanced budget within 6 years, the law set declining maximum limits for the Federal deficit for each fiscal year. Should these maximum Federal deficits be exceeded by more than $10 billion in any one year, the law established a mechanism for cutting the funds of certain Federal programs in an amount equal to the excess deficit.

At the outset of this hearing, let me make it clear that the purpose of our being here today is not to second-guess the Supreme Court while it is deliberating the constitutionality of Gramm-Rudman-Hollings or the budget committees working on the budget resolution. In addition, we are not trying to determine if a legislative remedy is necessary to address problems raised by any possible Supreme Court decision.

Regardless of the Supreme Court decision and the outcome of any budget resolution negotiations, the fact is that Gramm-Rudman-Hollings is in place. Unless the House and Senate have completed action on all 13 appropriations bills within the next 60 days and their combined total results in a deficit of less than $154 billion, we will have a second—even larger—round of sequestration cuts barreling down the pike at us.

In February of this year, Gramm-Rudman-Hollings triggered 11.7 billion dollars' worth of budget cuts. This has meant that most Federal executive, legislative, and judicial branch agencies have had to cut their expenditures by between 4 and 10 percent in the past 4 months.

How these sequestration cuts have affected the ability of Federal agencies to fulfill their missions and serve the public is one of the focuses of these hearings. The other is an attempt to assess the impact that Gramm-Rudman-Hollings is likely to have on the Federal Government in the next few months.

Today and tomorrow, we will hear from two of the key people involved in the implementation of this law. From their testimony, we will learn whether there is likely to be a second round of sequestration cuts in October and how large these cuts might be. In addition, we will explore what effect more budget cuts might have on the ability of Federal agencies to function.

Our only witness this morning is the distinguished and able Charles A. "Chuck" Bowsher, Comptroller General of the United States. He is accompanied by Special Assistant Milton J. Socolar and Assistant Comptroller General Harry Havens.

We thank you for being with us and your prepared statement will be made a part of the record. I will, at this time, recognize the minority leader of this subcommittee and this full committee, the distinguished Member from New York, Mr. Frank Horton.

Mr. HORTON. Thank you, Mr. Chairman.

I want to join with you in welcoming the Comptroller General and Mr. Socolar and Mr. Havens and their staff to this hearing.

The Gramm-Rudman-Hollings bill is a very important bill and it has made some major changes in the budgeting and operations of the Federal agencies—and I might say, parenthetically, the legislative branch of the Government. Many people do not realize that we had to take a cut also. Some Members, myself included, have had to cut back on personnel.

Our committee, as a matter of fact, has also been affected by it and all committees have been affected by those reductions in the 1986 budget.

I am concerned about the next round of cuts that might come up. I hope we can arrive at a budget that can be acceptable to the House and the Senate and the administration so we do not have to go through sequestration because, in my judgment, sequestration—which is the meat ax approach—is the worst thing we can do. It cuts right across the board and it hurts the military, domestic programs, and the legislature. It can be devastating.

So it is very important for us to find out about these matters.

We have been through one budget cycle in which the Gramm-Rudman bill has had some effect and we are about to head into another one in which the law may have significantly more impact. I go around and talk to people who work for various agencies, and I hear Gramm-Rudman blamed for everything under the Sun. I think that, in some instances, this is being carried too far. I think it is time we started separating fact from fiction by asking the experts exactly what implementation of this law is accomplishing.

I commend you, Mr. Chairman, for doing that by having the Comptroller General here today and the Director of the Congressional Budget Office here tomorrow to discuss with us the impact of the law. I hope we can continue this discussion by scheduling testimony from the Director of the OMB and appropriate executive agency officials in the near future.

I also join in welcoming Mr. Bowsher and members of his staff. I have the highest regard and respect for the General Accounting Office and I hope that the imminent Supreme Court decision regarding Gramm-Rudman is not going to be along the lines that the news media have suggested because it would really create some major problems, as far as the GAO and its work is concerned.

That is all speculative, and I hope that does not come to pass. But if it does, we probably are going to have to look into that and see what needs to be done in order to correct the problems that might be brought on as a result of that decision.

So we look forward to your testimony and thank you for appearing and for the work that you have done in this matter.

Thank you.

Mr. **Brooks**. The Chair recognizes the gentleman from New Jersey, Mr. Saxton.

Mr. **Saxton**. Mr. Chairman, I would like to commend you for taking the initiative in calling for these hearings today and tomorrow. I cannot think of anything that we should be keeping our eye on more than the Gramm-Rudman-Hollings law that a great majority of both Houses voted for. It certainly is the law that has the most dramatic effect on everything we do in Congress and on life in America. And for good or bad, the American public is going to be affected by it and it is certainly our obligation.

I commend you for seeing that as clearly as I think I do, to make sure that we keep our eye on this on a day-to-day basis. I think these hearings are very essential in that regard.

So I look forward to hearing the testimony of Mr. Bowsher and others during the next couple of days and thank you very much.

Mr. **Brooks**. Thank you, Mr. Saxton, for your contribution. Do you need more time?

Mr. **Saxton**. I am fine, thank you.

Mr. **Brooks**. Mr. DioGuardi.

Mr. **DioGuardi**. Thank you, Mr. Chairman.

I, too, commend you for holding these hearings. It is very clear, at least in my district, and I think from the rest of the polling being done, that the deficit is the No. 1 issue in this country. I never thought, in my mind, that Gramm-Rudman would be synonymous with automatic across-the-board cuts. I think the political process has done a lot of injuries to what should be called the Deficit Reduction Act.

Mr. Chairman, the Gramm-Rudman bill, as I see it, is nothing more than a strategic plan, a 5-year strategic plan. Forget about these across-the-board cuts. The public now knows that we need to get our arms around the deficit. All the Deficit Reduction Act says is that by 1991 we are going to ratchet down the annual deficit to zero.

Let us say the deficit is $200 billion in round terms, this year. Next year we want to see it at 144, the year after that at 108, then 72, so that by 1991, we do not have an annual deficit. Does that mean we have paid off the debt? No.

We are adding to the debt. In fact, we are going to slip to $3 trillion whether we like it or not, because next year we add 160, and the year after that, 120. And if we do not get our arms around this deficit once and for all, estimates are—and Mr. Bowsher will probably confirm this—that by 1991, interest alone—not the payment of principal—interest alone will amount to 40 cents on the dollar of every dollar of revenue collected.

What is going to happen to programs, then, when literally 40 cents of every revenue dollar has to go to pay the interest, and a lot of it is going to foreigners who are investing in our Treasury bills?

And by the way, interest is probably the most regressive tax of all, because it is paid to the people who can afford to buy bonds, and it literally comes out of the mouths of poor people—those who do not have the best lobbyists.

So I would say that in the spirit of what I see from the public polls that I take and are being taken in the country, we do need Gramm-Rudman to work. But whether or not the automatic cuts are unconstitutional or not—and they may well be unconstitutional—I think we have got to make sure that we do not kill what I see here as a great concept. This is probably the first time that this body has come up with a strategic plan for 5 years. Usually, we do so much reacting here, robbing Peter to pay Paul, going year to year.

So I, too, want to commend you for the hearings but I hope, in the process, we do not confuse the issue of automatic cuts, which are just the enforcement mechanism, with the need to have this bill. The public deserves to have a balanced budget by 1991.

And I look forward to Mr. Bowsher's testimony as well—a fellow CPA. Thank you.

Mr. **Brooks**. Thank you, Mr. DioGuardi. I think that it is going to be interesting in September. Mr. DioGuardi's enthusiasm and dedication to a balanced budget is obvious. You can imagine how excited the Members are going to be in the latter part of August when the Members may find it necessary to replace GAO in making the cuts. I do not know if we have got enough microphones down there for them all to be explaining how dedicated they are. They are probably going to have an opportunity to do so, however, if the Supreme Court rules as anticipated on this bill. Before we proceed, I would like to say that we are going to have OMB and the other agencies appear at a hearing in July, so that we can get the complete picture of the impact of Gramm-Rudman-Hollings.

General, please proceed.

STATEMENT OF CHARLES A. BOWSHER, COMPTROLLER GENERAL OF THE UNITED STATES, ACCOMPANIED BY MILTON J. SOCOLAR, SPECIAL ASSISTANT TO THE COMPTROLLER GENERAL, AND HARRY S. HAVENS, ASSISTANT COMPTROLLER GENERAL

Mr. **Bowsher.** Mr. Chairman and members of the committee, I am pleased to appear before the committee again on the Balanced Budget and Emergency Deficit Control Act of 1985. Once before, in October 1985, I testified before you on this subject. That was before the enactment of the bill.

At that time I expressed concerns about the bill and also noted that it would be difficult to anticipate the effects of the bill, if enacted, upon the capacity of the Government to deliver services and other benefits.

While some questions have been resolved in the first year of the act's implementation, many questions still remain. This is because the first year's events were limited in important ways, making 1986 a somewhat incomplete model of what we may expect. Let me address 1986 procedural and programmatic matters and discuss what may happen for fiscal year 1987.

We think that the procedures worked rather well for 1986. There were four major reporting dates for fiscal year 1986. On January 15, the Directors of OMB and CBO provided their joint report on economic assumptions and proposed sequester amounts. Six days later, on January 21, I responded with my report to the President and the Congress. On February 1, the President issued his sequester order and on March 31, 1986, I issued my compliance report to the President and the Congress.

Now for fiscal year 1987 and the remaining fiscal years, the procedure currently envisioned will involve two stages. In the first stage, the initial OMB/CBO report is issued August 20, 1986. On the 25th, 5 days later, the initial GAO report is issued. On September 2, the initial sequester order of the President is issued.

Then you have the second stage of reports and they will entail a schedule such as this: On October 6, a revised OMB/CBO report is produced; on October 10, a revised GAO report; and on October 15, a final sequester order by the President. And then finally, on November 15, 1986, the GAO compliance report is to be issued.

Now if I could, I would like to talk about the fall back procedure. If the act's regular reporting procedures were to be invalidated, then the following substitute steps would have to take place: Upon invalidation, there would automatically be established a Temporary Joint Committee on Deficit Reduction composed of the entire membership of the Budget Committees in the House of Representatives and the Senate.

The August and October 1986 joint OMB/CBO reports would be transmitted to the Joint Committee rather than to the Comptroller General. No later than 5 days after receiving a joint OMB/CBO report, the Joint Committee would report to each House of the Congress a joint resolution setting forth the contents of the OMB/CBO report.

Within 5 days of receiving the joint resolution, each House would take a final vote on the passage of the joint resolution. If the joint resolution passes, it would then be transmitted to the President for signature. Enactment would lead to the sequesters set forth in the joint resolution.

Now, whichever set of procedures are used for 1987, several uncertainties will be present which did not exist in 1986. When OMB, CBO, and GAO made their reports for 1986, most agencies had received their regular appropriations for the year. This simplified the task of calculating the base of available budgetary resources.

Looking ahead to the reports for 1987, there is the distinct likelihood that many of the regular appropriations bills will not have been enacted prior to the reports. The act anticipates such a possibility. It provides that, in such an eventuality, and in the absence of full-year continuing resolutions, the calculations for the August and October reports will be based upon prior year appropriations in the case of regularly appropriated accounts, or current law in the case of entitlement and other accounts.

Calculations based upon prior year appropriations, current law, or continuing resolutions could produce larger or smaller sequesters than would be warranted later, upon the enactment of the regular legislation for 1987.

Another uncertainty is created by the absence of a sequester cap for 1987. The $11.7 billion cap for 1986 resulted in the relatively small budget cuts of 4.3 percent for nondefense accounts, and 4.9 percent for defense accounts. The cap also had the effect of minimizing the importance of alternative economic assumptions for fiscal year 1986.

We carefully examined the economic assumptions proposed by OMB and CBO. However, we concluded that, because of the cap, any reasonable economic assumptions that we might adopt would not affect the required reductions for 1986. Therefore, we did not develop an independent set of economic assumptions.

Now this will change for fiscal year 1987. With no statutory limit on the sequester total, varying the economic assumptions would almost certainly alter the size of any sequester. We therefore may expect much more debate and controversy in the next cycle about which assumptions are the most realistic.

In short, the conclusions of the OMB, CBO, and GAO reports will be more unpredictable than was in the case of 1986. I should add that this uncertainty would be compounded if a major tax structure revision is enacted.

Now you asked us, Mr. Chairman, to address the effects of the act upon governmental programs in fiscal year 1986 and the possible effects in fiscal year 1987. We have not performed detailed audit work on this subject, and therefore, I can only offer my impressions. These are based upon what we sense is happening in the Government and some conversations my staff have had with officials in several agencies.

By and large, it appears that the agencies were able to cope with the 1986 cuts with a minimum of disruption in services and benefits provided to the public. I would characterize the agencies' actions as "belt-tightening." As we did at GAO, they undertook to postpone some procurements, restrict travel and training, initiate some hiring freezes, and pursue other economies in administrative and program operations. Some agencies plan to furlough employees for short periods unless additional funding is provided.

For the most part, the actions restricting program operations were marginal, entailing only slightly reduced levels of services and benefits. Typically, actions were taken to slow down or reduce somewhat the approvals of grants-in-aid and loans. Cost-sharing formulas were revised. In personnel-intensive operations, service levels were somewhat reduced as hiring freezes and various administrative economies led to lessened field activities—that is, fewer inspections, less technical assistance, et cetera.

Turning to possibilities for 1987, I think that the effects of a second cycle of cutbacks could be more serious. It is hard to make predictions at this time, because we cannot say what the budget base will be from which the cuts will be made or the amount of the cutbacks; however, agency officials tell us that another round of cuts, reducing budget levels 7 or 8 percent below the postsequester 1986 levels, would significantly affect programs.

At these cutback levels, some agencies would find it difficult to avoid furloughs or even RIF's. Grants and loans would continue to be reduced, and in the opinion of most officials, the required reduction in service levels would definitely be felt.

The decline in service levels would have the most obvious impact in the safety, security, and fiscal areas that have been hard pressed in recent years by workload requirements. Among others, it appears that this might include the operations of the Immigration and Naturalization Service, the Customs Service, the Federal Aviation Administration, the Federal Prison System, the Drug Enforcement Administration, the Coast Guard, and the Internal Revenue Service.

In conclusion, Mr. Chairman, I hope the procedures for 1987, although more complicated in many ways, can be handled as well as they were for 1986. And predicting the effects of another round of cuts on Federal programs and the delivery of services and benefits to the public, we really will have to wait until we know the size of any sequester that may be required.

This concludes my prepared remarks, Mr. Chairman and members of the committee. I'd be very glad to answer any of your questions.

[Mr. Bowsher's prepared statement follows:]

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY
EXPECTED AT 10:00 A.M.
JUNE 18, 1986

TESTIMONY OF

CHARLES A. BOWSHER

COMPTROLLER GENERAL OF THE UNITED STATES

BEFORE THE

COMMITTEE ON GOVERNMENT OPERATIONS

HOUSE OF REPRESENTATIVES

ON

THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985

Mr. Chairman and Members of the Committee:

I am pleased to appear before the Committee again on the Balanced Budget and Emergency Deficit Control Act of 1985. Once before, in October 1985, I testified before you on this subject. That was before enactment of the bill. At that time I expressed concerns about the bill, and also noted that it would be difficult to anticipate the effects of the bill, if enacted, upon the capacity of the government to deliver services and other benefits.

While some questions have been resolved in the first year of the Act's implementation, many questions still remain. This is because the first year's events were limited in important ways, making 1986 a somewhat incomplete model of what we may expect. Let me address 1986 procedural and programmatic matters, and discuss what may happen for fiscal year 1987.

PROCEDURAL MATTERS

We think that the procedures worked rather smoothly for 1986. There were four major reporting dates for fiscal year 1986:

--On January 15, 1986, the directors of OMB and CBO provided their joint report on economic assumptions and proposed sequester amounts.

--Six days later, on January 21, I responded with my report to the President and the Congress.

--On February 1, the President issued his sequester order.

--On March 31, 1986, I issued my compliance report to the President and the Congress.

For fiscal year 1987 and the remaining fiscal years the procedure currently envisaged will involve two stages. The initial set of OMB, CBO, and GAO reports will be:

--On August 20, 1986, the initial OMB/CBO report.

--On August 25, the initial GAO report.

--And on September 2, the initial sequester order of the President.

The second series of reports will entail:

--On October 6, 1986, a revised OMB/CBO report.

--On October 10, a revised GAO report.

--On October 15, a final sequester order by the President.

--And finally, on November 15, 1986, the GAO compliance report.

The "fall-back" procedure

If the Act's regular reporting procedures were to be invalidated, the following substitute steps would take place:

--Upon invalidation, there would automatically be established a Temporary Joint Committee on Deficit Reduction, composed of the entire membership of the Budget committees of the House of Representatives and the Senate.

--The August and October 1986 joint OMB/CBO reports would be transmitted to this joint committee rather than to the Comptroller General.

--No later than 5 days after receiving a joint OMB/CBO report, the Joint Committee would report to each house of the Congress a joint resolution setting forth the contents of the OMB/CBO report.

--Within 5 days of receiving the joint resolution, each house would take a final vote on passage of the joint resolution.

--If the joint resolution passes, it would then be transmitted to the President for signature. Enactment would lead to the sequesters set forth in the joint resolution.

Uncertainties for 1987

Whichever set of procedures are used for 1987 several uncertainties will be present which did not exist in 1986. When OMB, CBO, and GAO made their reports for 1986, most agencies had received their regular appropriations for the year. This simplified the task of calculating the base of available budgetary resources.

Looking ahead to the reports for 1987, there is the distinct likelihood that many of the regular appropriations bills will not have been enacted prior to the reports. The Act anticipates such a possibility. It provides that, in such an eventuality, and in the absence of full-year continuing resolutions, the calculations for the August and October reports will be based upon the prior year's appropriations in the case of regularly-appropriated accounts, or current law in the case of entitlement and other accounts.

Calculations based upon prior year appropriations, current law, or continuing resolutions could produce larger or smaller sequesters than would be warranted later upon the enactment of regular legislation for 1987.

Another uncertainty is created by the absence of a sequester cap for 1987. The $11.7 billion cap for 1986 resulted in the relatively small budget cuts of 4.3 percent of non-defense accounts, and 4.9 percent for defense accounts. The cap also had the effect of minimizing the importance of alternative economic assumptions for fiscal year 1986. We carefully examined the economic assumptions proposed by OMB and CBO. However, we concluded that, because of the cap, any reasonable economic assumptions that we might adopt would not affect the required reductions for 1986. Therefore, we did not develop an independent set of economic assumptions.

This will change for fiscal year 1987. With no statutory limit on the sequester total, varying the economic assumptions would almost certainly alter the size of any sequester. We therefore may expect much more debate and controversy in the next cycle about which assumptions are the most realistic.

In short the conclusions of the OMB, CBO, and GAO reports will be more unpredictable than was the case in 1986. I should add that this uncertainty would be compounded if a major tax structure revision is enacted.

PROGRAMMATIC EFFECTS

You asked us, Mr. Chairman, to address the effects of the Act upon governmental programs in fiscal year 1986, and the possible effects in fiscal year 1987. We have not performed detailed audit work on this subject, and therefore I can only offer my impressions. These are based upon what we sense is happening in the government, and some conversations my staff have had with officials in several agencies.

The experience in fiscal year 1986

By and large, it appears that the agencies were able to cope with the 1986 cuts with a minimum of disruption in services and benefits provided to the public. I would characterize the agencies' actions as "belt-tightening." As we did at GAO, they undertook to postpone procurements, restrict travel and training, initiate hiring freezes, and pursue other economies in administrative and program operations. Some agencies plan to furlough employees for short periods, unless additional funding is provided.

For the most part, the actions restricting program operations were marginal, entailing only slightly reduced levels of services and benefits. Typically, actions were taken to slow down or reduce somewhat the approvals of grants-in-aid and loans. Cost-sharing formulas were revised. In personnel-intensive operations, service levels were somewhat reduced as hiring freezes and various administrative economies led to lessened field activities--that is, fewer inspections, less technical assistance, etc. Some user fees also were increased.

Possible effects in fiscal year 1987

Turning to possibilities for 1987, I think that the effects of a second cycle of cutbacks could be more serious. It is hard to make predictions at this time because we cannot say what the budget base will be from which the cutbacks will be made, or the amount of the cutbacks.

However, agency officials tell us that another round of cuts reducing budget levels 7 to 8 percent below the post-sequester 1986 levels would significantly affect programs. At these cutback levels, some agencies would find it difficult to avoid furloughs or even RIFS. Grants and loans would continue to be reduced, and, in the opinion of most officials, the required reduction in service levels would definitely be felt.

The decline in service levels would have the most obvious impact in the safety, security, and fiscal areas that have been hard-pressed in recent years by workload requirements. Among others, it appears that this might include the operations of the Immigration and Naturalization Service, the Customs Service, the Federal Aviation Administration, the Federal Prison System, the Drug Enforcement Administration, the Coast Guard, and the Internal Revenue Service.

CONCLUSION

In conclusion, Mr. Chairman, I hope the procedures for 1987, though more complicated in many ways, can be handled as well as they were for 1986. In predicting the effects of another round of cuts on federal programs and the delivery of services and benefits to the public, we really will have to wait until we know the size of any sequester that may be required.

This concludes my prepared remarks Mr. Chairman and Members of the Committee. I would be glad to answer your questions.

PROCEDURES AND DATES
GRAMM-RUDMAN-HOLLINGS

- EVENT	DATE
. CBO AND OMB SUBMIT INITIAL REPORT TO COMPTROLLER GENERAL	AUGUST 20
. COMPTROLLER GENERAL SUBMITS INITIAL REPORT TO THE PRESIDENT	AUGUST 25
. PRESIDENT ISSUES INITIAL ORDER (SEPT. 1 IS LABOR DAY)	SEPTEMBER 2
. PRESIDENT REPORTS TO COMPTROLLER GENERAL THE EXISTING DEFENSE CONTRACTS HE PROPOSES TO TERMINATE OR MODIFY	SEPTEMBER 5
. COMPTROLLER GENERAL CERTIFIES HIS ABILITY (OR INABILITY) TO VERIFY SAVINGS FROM TERMINATION OR MODIFICATION OF DEFENSE CONTRACTS	SEPTEMBER 30
. INITIAL ORDER TAKES INTERIM EFFECT	OCTOBER 1
. CBO AND OMB ISSUE REVISED REPORT TO COMPTROLLER GENERAL (OCTOBER 5 IS SUNDAY)	OCTOBER 6
. COMPTROLLER GENERAL ISSUES REVISED REPORT TO THE PRESIDENT	OCTOBER 10
. PRESIDENT ISSUES FINAL ORDER	OCTOBER 15
. FINAL ORDER TAKES EFFECT	OCTOBER 15
. COMPTROLLER GENERAL ISSUES COMPLIANCE REPORT	NOVEMBER 15

PROCEDURES AND DATES
FALLBACK PROCEDURE

EVENT	DATE
. CBO AND OMB SUBMIT INITIAL REPORT TO TEMPORARY JOINT COMMITTEE ON DEFICIT REDUCTION	AUGUST 20
. COMMITTEE REPORTS JOINT RESOLUTION SETTING FORTH THE CONTENTS OF DIRECTORS REPORT	FIVE DAYS AFTER REPORT IS RECEIVED
. HOUSE AND SENATE VOTE ON FINAL PASSAGE OF JOINT RESOLUTION	FIVE DAYS AFTER RESOLUTION IS REPORTED
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Mr. **Brooks**. Gentlemen, we have a vote coming up, so before we start on questions, we will go and make that vote.

So that you can think about it, the first question I'm going to ask you is what will happen if the Comptroller General's role in Gramm-Rudman is found to be unconstitutional, as I've always maintained it is and as the Supreme Court may rule?

We'll be right back. We will stand in recess until we make our vote.

[Recess taken.]

Mr. **Brooks**. The committee will reconvene.

General, what do you think will happen if the Comptroller General's role is found to be unconstitutional?

Mr. **Bowsher**. Well, I think at that time you go to the fallback position, Mr. Chairman. If you look over here on the charts [See end of prepared statement.] you start a process that goes something like this. CBO and OMB are going to submit their reports to this Temporary Joint Committee on Deficit Reduction on August 20.

Now one of the problems is that that's when the Congress is supposed to be on recess, but that's——

Mr. **Brooks**. Well, that's important to me. Congress doesn't recess until August 15, and my children go back to school before the September 1, so I have the possibility of 8 or 9 days with my children, when they're on vacation and Congress is not in session.

Mr. **Bowsher**. Then the committee has 5 days after the report is received to put together their joint resolution. Then they send that to the House and Senate, and they have 5 days to vote on it. The President has, according to the schedule, up until September 2 to sign that joint resolution. And so that's the first stage.

Now, if I could complicate it, though, just a little more by saying that the Treasury has already asked the congressional leaders to think in terms of a debt ceiling increase in August—in other words, before you leave. So what you could easily have here is, if the Court takes us out, you could have a vote on the 1986 sequester amount, the $11.7 that will have to be possibly processed. You will have maybe a debt ceiling——

Mr. **Brooks**. You mean, if that is held to be in question?

Mr. **Bowsher**. Yes. In other words, if the lower court——

Mr. **Brooks**. Congress might have to reaffirm the 1986 sequester?

Mr. **Bowsher**. If some semblance of the lower court's decision was upheld, then the Congress would have to vote the 1986 sequester amount.

Mr. **Brooks**. Once more?

Mr. **Bowsher**. Once more.

Mr. **Brooks**. Oh, well, that's real good.

Mr. **Bowsher**. And then you have the debt ceiling legislation that you might have to handle in this time.

Mr. **Brooks**. What would they go for this time, do you think?

Mr. **Bowsher**. I have no idea. I have no idea what they'll be going for.

Mr. **Brooks**. We're not lowering that debt ceiling; we're going to be raising it.

Mr. **Bowsher**. Oh, yes.

Mr. **Brooks**. The recommendation is coming down from the administration?

Mr. **Bowsher**. Yes, yes.

Mr. **Brooks**. They'll want more money to borrow.

Mr. **Bowsher**. Yes.

Mr. **Brooks**. All right.

Mr. **Bowsher**. All right. OK, then you go into the second phase. But actually in September you're also going to probably be facing a continuing resolution, so you've got to consider that you're going to have a major vote on just getting the continuing resolution into the process, you might say. And we don't know how many appropriation bills will be passed or not passed at that stage. But right now it doesn't look like too many bills are going to be passed or enacted by that time.

Mr. **Brooks**. Well, what do you think about the budget resolution that is still in conference?

Mr. **Bowsher**. The budget resolution is still in conference, and I'm assuming that that will get it resolved, but I'm not sure.

OK. Then we go to October for the second phase, where the initial order takes interim effect on October 1, but the CBO and OMB issues a revised report to this Temporary Joint Committee on October 6. The committee then has 5 days to report their revised joint resolution; and then 5 days later the House and Senate are supposed to vote that revised joint resolution; and then on October 15 the President signs the resolution and issues the final order, and that final order is to take effect on October 15, which is a half month after the fiscal year has started.

Now we come along and issue a compliance report on November 15.

But I think what you can see from this fallback position is that the Congress has to take quite a few actions, including the other things I raised, in the 4-week periods after they return from the July 4th recess and after the Labor Day recess. So you've got two 4-week periods probably there with some major budgetary financial votes coming, and Gramm-Rudman is a major part of it. But you've got the other major parts, too, that will be voted at that time, or have to be voted at that time.

Mr. **Brooks**. In your opinion, is a sequestration process likely to proceed even if the Supreme Court finds your role in the triggering mechanism unconstitutional?

Mr. **Bowsher**. Well, it will proceed if the Congress votes it. In other words, one of the problems is that you're coming back to the same issues. In other words, the debate on whether to cut defense or nondefense issues and the debate on whether to raise taxes will come right back in; whereas, if the Comptroller General was in the process, those issues would not have to be resurfaced and revoted on. I think that is one of the things that is going to make it difficult, depending on the size of the sequester.

If it's a small number, I wouldn't be surprised that it could go forward. If it's a large number, and we won't know until we get these August reports, why then it seems to me that it forces you right back into the debates that the Congress and the President have had difficulty coming to agreement on.

Mr. **Brooks**. Well, this is probably a good time—August and September and October before the election—to resolve those issues.

Congress had thought it would adjourn, you know, the first part of October, because many of the Members have Republican and Democratic opposition, and both sides want to go home. Gramm-Rudman may interfere with those campaigns when you have to come up here and vote.

It's going to be a fascinating fall.

What problems do you foresee with the schedule set forth in the fallback procedure in Gramm-Rudman-Hollings should the Comptroller General's role in the triggering mechanism be declared unconstitutional?

Mr. **Bowsher**. Well, the main problem, I think, is the tight timing. In other words, you've got to make these decisions in these 5-day incremental periods. As I said if that number gets too large, why then you're back trying to resolve some very big issues that have not been able to be resolved in some very short time periods.

Mr. **Brooks**. What incentives, General, are there to complete action on the appropriations bills, if it means that the Federal agencies would take double cuts as a result of the Gramm-Rudman-Hollings sequestration?

Mr. **Bowsher**. Well, one of the things when the Gramm-Rudman process was being debated last fall and being reviewed at the beginning of this congressional session was whether this would help the regular budget process, and get earlier decisions; namely, get to where you've got appropriations passed and within the budget resolutions which were within the Gramm-Rudman targets. Although the President's budget came in and both Budget Committees are talking about budget resolutions within those targets, we really haven't got an appropriations passed. It would appear to me, from just watching the process and talking to people on the Hill and in the agencies, that there's a great reluctance in passing appropriations because of the very issue you raise—and that is, they feel they're going to get double cut.

They're going to come through a tough appropriation, and Gramm-Rudman is going to come through and cut them again. So they'd rather wait and see what, as one chairman of a committee explained to me, what the Gramm-Rudman ballgame is. Are we going to have a sequester?

If you remember also—I think this is important—in December when you passed Gramm-Rudman and the first target figure of $171 billion for fiscal year 1986 was determined, people—and I mean people in OMB and CBO—were saying that the deficit was going to be $191 billion. That's how we got to the 11.7, because what they did was take seven-twelfths starting with March 1, and said, "We're going to cut seven-twelfths of that $20 billion."

Mr. **Brooks**. Right, right.

Mr. **Bowsher**. But then in January——

Mr. **Brooks**. You'd take a full cut at it.

Mr. **Bowsher**. Yes. But in January when we got the forecast from CBO and OMB, we were up to the $210, $220 billion estimates for fiscal year 1986. So really what we have done in fiscal 1986 is cut $11 billion out of really about $30 to $40 billion of what we thought the deficit was above or where the Congress and the President said they wanted to be, there at $171 billion.

But then the thing that happened was that the estimates came in for fiscal year 1987 very favorably. In other words, the computer models showed that, although things had deteriorated for 1986, things were looking good for 1987, primarily because the models were taking in the drop of interest rates and the drop in oil prices. They were coming out with estimates showing that the deficit for fiscal 1987 might not be nearly as we think, and we might not even have to sequester. I mean, there were those kind of discussions.

I think that hurt the process myself. In other words, I think a lot of people began to believe that, if we don't have to sequester, we don't have to make, in 1987, tough program budget decisions. And maybe this thing isn't as bad as we thought it was.

And so, that's been a lot of the thinking here in the spring. But now it seems to me that the economic forecast, from what I'm hearing, is not going to look as good for fiscal year 1987 as those January numbers. But we don't know until we see the numbers.

But I think the size of your sequester amount is a big factor in how well the process is going to work. If it's a small number, I think it might work. If it's a larger number, I think you might have a lot of difficulty.

Mr. BROOKS. Well, what do they think that the budget deficit will be now? What's the current estimate?

Mr. BOWSHER. What I'm just hearing is that the January numbers don't look quite as favorable now. And so I don't have a number, and I don't think we'll really have much of a feel until we get that first step up there, that August——

Mr. BROOKS. The August 15 snapshot?

Mr. BOWSHER. Yes, yes.

Mr. SAXTON. Mr. Chairman, would you yield for just one moment on this point?

Mr. BROOKS. Yes, Mr. Saxton.

Mr. SAXTON. On the fiscal year 1986 deficit, what will happen if we are not at or near the $171.9 billion deficit?

Mr. BOWSHER. Nothing. In other words, it's now estimated over at the White House, the last figure I read, which was in the papers a couple weeks ago, it's a $212 billion estimate for fiscal year 1986. Now that's after you've sequestered the $11.7 billion. So what you're really ending up with in 1986 is a very large deficit, even though you've had the first year of the process, because the process was capped at 11.7.

But it doesn't change it. In other words, the year unfolds as it is going to unfold, but you took 11.7 out with the first Gramm-Rudman cuts.

Now the question is, the big question is, what impact is that going to have on 1987? Some of those cuts that you made in 1986 roll into 1987 and should also help. That was another reason why the 1987 estimates in January looked better. People thought that the cuts being made in 1986 would roll in, and some of them will, no question about it.

But the big question will be now, what is the forecast for 1987? And we just don't know at this point.

Mr. BROOKS. What he is pointing out is that the $11 billion cut was just a drop in the bucket when compared to the real deficit above $171 billion, which was the limit set by Gramm-Rudman. Instead of taking about a $30 billion cut in the 1986 budget, we agreed, the President agreed and Congress acquiesced, that we would take an $11.7 billion cut.

Now it is still up in the air as to what that August 15 snapshot will be.

Mr. HORTON. On that same point, the cap was $11.7 billion.

Mr. BROOKS. Arbitrary.

Mr. HORTON. Arbitrary. If there had been no cap, how much would the sequestration have amounted to?

Mr. BOWSHER. Well, it would have been $30 to $40 billion. Then, if you said we can only do seven-twelfths of it because we are that far into the year, you would have taken seven-twelfths of that figure. You see, the deficit flows on you. What it means is you just got started late in that fiscal year, so you just can't get the amount——

Mr. HORTON. I was trying to establish the magnitude of the problem.

Mr. BROOKS. It would be about $28 billion.

Mr. BOWSHER. Right.

Mr. HORTON. In other words, everybody that was hit with a share of the $11.7 billion cut, and we thought that was pretty drastic, instead of $11.7, it would have been closer to——

Mr. BOWSHER. Another way to look at it is that the cut would have probably been doubled at least on everybody.

Mr. DIOGUARDI. Mr. Chairman, can I ask a question on that?

Mr. BROOKS. Let me finish this question. You noted in your statement that the February sequestration cut resulted mostly in belt tightening by Federal agencies. How much room in most agencies is there to continue belt tightening procedures?

Mr. BOWSHER. The impression we have is that, if you get another sequester order in that 4-percent range, there is probably some room for belt tightening and not drastic cutbacks. If you go much above that, then you are starting to cut into the real program and into the real strength of these organizations.

As I said in my statement, you might have to go to RIF's and furloughs and things like that.

I think you can take the first wave out of an organization by the belt tightening methods. I think as you get into the second and third year, then what you have to do is generally reduce the size of the organization or reduce the size of the program or look at it more on that kind of a basis.

Mr. BROOKS. Would continued implementation of Gramm-Rudman-Hollings make the Federal Government run more efficiently and more economically?

Mr. BOWSHER. No; as I said a year ago, I think the big virtue in the Gramm-Rudman process is that it starts you down the road of getting on top of these Federal deficits. I think that is important. I think running it at $200 billion or more a year is just too much. We are building up too much of a debt and too much of an interest payment in the future.

If you do it across the board for 5 straight years, it seems to me that you will do a fair amount of damage to the efficiency of the Government operations and that some of the programs will be hurt. There is just no question. Hardly anyone would cut any operating organization or any operating program across the board. The big thing is to go find the areas that should be cut, should be eliminated, if you are going to bring the size of Government down. The idea that everybody takes an equal hit is a way to get there, but it doesn't add to the efficiency long term. I think we will have inefficiency.

Mr. **Brooks**. General, although we don't know what that August 15 snapshot will be, the expenditures for 1987 have been pretty much in line with those in 1986. The deficit for fiscal 1987 could probably be in ballpark figures between $160 billion to $200 billion. That would result in a sequestration under the act of between $16 and $56 billion.

Would you give us your opinion as to the impact of a sequestration at the three different levels? What the impact of a $15 billion cut sequestration would be, what the impact of a $25 billion and a $30 billion sequestration would be on Federal programs?

Mr. **Bowsher**. I think a $15 billion cut would be pretty close to what we had in 1986. I think most agencies could accommodate that and could cut back and not do much damage. I think to go to the next level——

Mr. **Horton**. Would you yield right there? There would be a cumulative effect. You would have cuts of $4.3 billion plus $4.3 billion, let's say, so you have $8.6 billion cut in one calendar year. If you only had one sequestration, that would be one thing. If you have two, it has a cumulative effect. I just wonder whether you wouldn't want to revise your answer on that.

Mr. **Bowsher**. There is no question, Congressman Horton, that the cumulative effect makes it tougher. Like our own situation at GAO. We put a freeze on hiring immediately in February. We cut back on our training, our traveling, and everything like that. If we had to take another percentage cut of about the same, what we would have to do is continue that freeze. We might have to go to a selective early out of some of our people, and we would still have to cut back on training and traveling.

The second year is a little tougher than the first year. What I am saying is we probably can live with that and still give you the basic GAO that you have known. If you go up to the next level, which is your question, we might have to go to RIF's. That makes you concentrate on that for a year rather than doing your job.

If you went to the top level, you are probably going to end up with a GAO that is 20 percent less than the size the GAO has been for the last 10 years.

Mr. **Brooks**. That is not the top that is conceivable. That is just $30 billion.

Mr. **Bowsher**. I thought you went from $16 to $30 to $50 or $60 billion. I was thinking about the $50 to $60 billion.

Mr. **Brooks**. Yes; I was asking for a cut on $15, $25, or $30 billion.

Mr. **Bowsher**. If you get up into the $40 to $60 billion cut, you have to really reduce the size of Government and reduce the size of programs to pull that off. As I said a year ago, you are forced to do it with expenditure dollars, and expenditure dollars have to go very low to get those kind of numbers; you have to go at your operating accounts, which are your annual appropriations, and that is people.

Mr. **Brooks**. On the supplemental appropriations bill that is now in conference, it has funds in it for a number of programs such as the FAA, the Coast Guard, IRS, Customs, Judiciary. In your opinion, is this essentially a rescue mission to save these programs from the recent sequestration cut?

Mr. **Bowsher**. It's partially that but it is also a rescue mission to rescue them a bit from some of the other cuts that took place over a cumulative 3- or 4-year period. IRS is a good illustration. The numbers they have in the supplemental bill are quite a bit higher than what they were cut in the sequester order.

I think there is no question that what they have done is look at a few of these agencies, like the FAA and IRS, where people are truly concerned that the operation continue in a mode that is going to be able to operate, you might say, successfully, and they have gone back with requests that they feel they need to keep those places going. In the case of the IRS, it is even more than the sequester amount. It goes back to the cuts that were put forward in the 3 or 4 years ahead of that.

Mr. **Brooks**. How would the sequestration that might take place for fiscal year 1987 differ from the one that they put into place for 1986?

Mr. **Bowsher**. The big difference on the sequester there is in the defense area. Secretary Weinberger requested and the Congress went along with him, an exception on his military personnel. He wanted to protect the force levels of the Armed Forces. That exception was put in the 1986 process. It is not in the 1987 through 1991 process. Those appropriations would have to take an equal hit along with all the other appropriations.

There are a few more changes like that. That is the major one.

Mr. **Brooks**. Thank you. Mr. Horton.

Mr. **Horton**. Thank you, Mr. Chairman.

Mr. Bowsher, with regard to the present exercise between the two Budget Committees, the House passed a budget and the Senate passed a budget and they are in conference now as you know. The President sent up a budget which was within the Gramm-Rudman deficit limit of $144 billion. It was on target. That was rejected by both the Senate Finance Committee and the House, the House by recorded vote.

What is necessary in order for the sequestration to be avoided for 1987 with the budget operation? I am asking how do we avoid all this sequestration, whether it is fallback or under Gramm-Rudman as it is now. What do we have to do?

Mr. **Bowsher**. It requires a substantial leveling off or somewhat of a reduction in the buildup of the defense budget. That would be one of the major components. It seems to me you would have to cut back on some of the domestic programs a bit. I think you might have to consider what some of the Senate Republican leaders are urging. They are raising the issue of whether you need some revenue enhancements.

If you would get everything that the President had provided, like the privatization sales, you would possibly do it. But a lot of those don't seem to be going through, so every one that doesn't go through, you have to take even more program away or you have to come in with some new revenues.

Mr. HORTON. I appreciate your answer on that. That basically is the substance. In other words, you are addressing your remarks to the substantive aspects of it.

Mr. BOWSHER. Yes.

Mr. HORTON. My question is directed more toward the procedure. Let's assume that the House and Senate agree on a budget that is $144 or $134 billion but it is under the $144 billion target deficit. What is required from the President and the administration in order to avoid sequestration?

Mr. BOWSHER. What is required is that you would get the budget resolution passed. Everybody agreed to come in at the $144 billion. Then, if you got the appropriations passed that lined up with the budget resolution, you would be in good shape with one big caveat. When these forecasts come in, will they agree that, with that base of programs that has been passed, that the now current forecast of revenues and expenditures will still keep you below the $154 billion?

In other words, what you have is a $10 billion cushion. If everybody agrees and the budget resolution and the appropriations say $144 billion is what we have aimed at and we have done it, you still have to pass the hurdle of the economic forecasts that will be coming in, to say yes, the revenues, current economic forecasts, we think they will come in at that mark. Then they say that is below $154 billion.

Mr. HORTON. In order to do that, you have pointed out we have to adopt appropriations bills.

Mr. BOWSHER. Either that or a full year continuing resolution that would achieve it.

Mr. HORTON. If we haven't done that or if the President were to veto appropriations bills or a continuing resolution, then there would not be any way for us to avoid it. Is that correct?

Mr. BOWSHER. That's correct.

Mr. HAVENS. If I might amplify, under those circumstances, we go back to the procedure of estimating the outlays on the basis of the 1986 postsequester funding level. The issue then would become whether the revenues for 1987 under the new economic assumptions were sufficient to bring the deficit, given that outlay assumption base, down to the $154 trigger level. At this point, I don't think we would be in a position to speculate. It would be difficult, I think, under those circumstances to avoid sequester.

Mr. HORTON. They keep talking in the budget conference about the need to have the President approve this and approve that. His approval is necessary because of the appropriations bills that would have to follow. Is that correct?

Mr. HAVENS. The appropriations and assumed revenue increases that are in both resolutions.

Mr. HORTON. With regard to the time, let's assume we are under the fallback procedure. We would have this Temporary Joint Committee on Deficit Reduction, which as you point out is to be made up of the two Budget Committees of the House and the Senate. You went through some sort of an exercise in order to arrive at the 1986 sequestration.

I am also interested, assuming you would be involved in the process for the 1987 budget, in establishing how much time is involved. I want to relate that to what the Temporary Joint Committee could do. You are one agency and you have an agency head. In essence, one person can make a decision. You have all your staff and that sort of thing, but you make a decision.

When you have two Budget Committees made up of large numbers of people, that Budget Committee has to come out with a joint resolution. That resolution has to be passed by the House and Senate, and be signed by the President, which I think is cumbersome, complicated, and it just doesn't seem that it would be workable.

But I am thinking in terms of the amount of time that you would have to put into your exercise, or would have to put in if you are involved in 1987, vis-a-vis the Joint Committee action and effort notwithstanding all the other problems that they have, in going through the legislative process.

Mr. **Bowsher**. Let me explain what we did in 1986, and I think that will give you a good feel. And that is that as soon as we knew we had this role, after legislation was passed, we met in December with the Director of OMB, the Director of CBO, and our top staffs. And we told them what we needed to do our role. And they agreed that they thought they could provide that to us.

We met with people like the Comptroller of the Defense Department. We said we would be looking at spend-out rates and various things like that. We wanted to warn them right up front what we would be looking at and what we would need, as far as information. And as we went into January, we started working on some of that data, as they could provide it to us, long before we got the two official reports you might say.

Then we worked night and day for those 5 days. In fact, we really had 6 days. In fact, the last night I went home at 11 o'clock at night and Milt worked all night, and I came back and started reading the report at 7 o'clock in the morning. And Harry was in charge of the whole thing.

But we really put in quite an effort to get that report out. And as you say, we could sit right there and make decisions pretty fast. A lot depends on what kind of a report you get from CBO and OMB because if they send you a report where they are in total agreement, that is one report. If they send you a report that says we are in general agreement, but here are a list of issues that we do not agree on, then you give to the Joint Committee a list of issues that have to get resolved.

And we did not have too many of those in 1986. I think CBO and OMB were anxious to come into agreement and not turn over to GAO too many issues. But those issues that did surface required some legal work.

Now in addition, in 1987 of course, you are going to have that one big issue that we did not have in 1986 and that is—what is the economic assumptions and therefore what is that revenue estimate, expenditures, and the deficit? Because of the cap in 1986, we had a much easier job of it than what we are going to have or they are going to have when that report comes in for fiscal year 1987.

Mr. HORTON. Let me ask you another question for clarification. You have already pointed out that with a cap of $11.7 billion that that was not adequate to make the goal for 1986. Does any of that excess, that portion that was not satisfied, if you will, carry over into the 1987? Is that added to the deficit that we have to reduce, or does that just stand there and add to the deficit but it does not have to be taken care of in the 1987 sequestration?

Mr. BOWSHER. Yes; it does not flow quite to where you say this $30 billion is; but the truth of the matter is, if you did not take actions to get it down—which we did not in 1986, we only took actions to get it down by $11.7—then it is influenced by that because the size of the Government flows into the next fiscal year based on only a $11.7 sequestered amount.

Mr. HORTON. So there is some indirect cumulative impact?

Mr. BOWSHER. Yes, there is.

Mr. HORTON. Which has impact on what we do?

Mr. BOWSHER. Yes.

Mr. HORTON. Would you recommend additional accounts be exempted from the Gramm-Rudman automatic cut?

Mr. BOWSHER. No; we think that there are some agencies who have raised some issues that the Congress might want to consider, but we decided that we would not make any recommendations to the Congress, whether they were in or out, based on any of those things.

Mr. HORTON. What special problems would you foresee in carrying out your responsibilities, if you are in the pictures, if Congress ends up with a continuing resolution, which includes several affected agencies' appropriations?

Mr. BOWSHER. Well, the continuing resolution—if it was a full year resolution, it would not be too bad. But you know, in recent years, we have been going for partial continuing—for instance, a continuing resolution until December 1 or until January 1.

If that happens, then that does not count as the base and so you have to go back to the 1986 base. And as Harry pointed out here a few minutes ago, that is probably not the best base from which to be working the 1987 sequestering process. But that is what the law requires and that is what you would have to go back to.

That is why I pointed out early that, not only does the Congress have to face the Gramm-Rudman process, they have to face the debt limitation and the continuing resolution issues. And the continuing resolution is a major issue as to whether the Congress is willing to vote a continuing resolution for the full year or not. Because only if it is for the full year does it then serve as the base.

Mr. HORTON. One further question—based on your expertise in this—and I realize that no one has a great deal of expertise because we have not been through this other than in fiscal 1986, but based on your expertise and all the work that you have done, looking at the entire picture, what would be your educated guess as to whether we will or will not have to have sequestration for 1987? I realize that a lot of factors go into this.

Mr. BOWSHER. This is sheer speculation now.

Mr. HORTON. Sheer speculation. I understand. You will not be held to it.

Mr. **Bowsher**. I would think you are going to have to have some sequestering in 1987.

Mr. **Horton**. Thank you, Mr. Chairman.

Mr. **Brooks**. Mr. Saxton, the gentleman from New Jersey.

Mr. **Saxton**. Mr. Bowsher, we have become aware recently—and perhaps not so recently, that regardless of what we do in some areas that outlays will continue to increase, particularly in the area of defense where we have made long-term obligations to spend certain moneys on certain acquisitions and projects.

Gramm-Rudman requires that both outlays and new budget authority come within the deficit limit. Does this pose any particular problem, in terms of what we are really expecting in these areas where we have made these obligations?

Mr. **Bowsher**. The Gramm-Rudman process really puts the emphasis on the expenditure dollars and then the outlay—whatever the expenditure dollar that is sequestered. The outlay then is calculated and is taken away from the agency. So your point is well taken, that the expenditure spend out drives the problem, to a certain extent. And what you are seeing now is that the expenditures are spending out faster, at defense, because of the big buildup of 3 or 4 years of obligation authority that was given to the defense program.

I suspect that we are going to see that for about 2 years, maybe even 3. Therefore it will just make it more difficult for the Congress and the President to achieve the Gramm-Rudman targets because of that situation and because the targets are in expenditure terms.

Mr. **Saxton**. Does that mean that new authority would have to be somewhat lower because of increased outlays?

Mr. **Bowsher**. It means that you would probably have to sequester more because of the increased outlays, yes.

Mr. **Saxton**. Thank you.

Mr. **Brooks**. Mr. DioGuardi.

Mr. **DioGuardi**. If you were a Congressman, Mr. Bowsher, would you have voted for Gramm-Rudman?

Mr. **Bowsher**. If I was a Congressman would I have voted for Gramm-Rudman? I do not think I should really answer that question.

Mr. **DioGuardi**. This is pure speculation, but I know his experience because his experience is very much like mine in an accounting firm.

Mr. **Bowsher**. Yes; I do not think I should explain how I would have voted if I were a Congressman because that is not my role. What I have often said is that I see the main virtue of Gramm-Rudman. And that is that it gets us going with some kind of a plan to get the total budget deficit down. And it is important to do that.

The main worry and the weakness of Gramm-Rudman is the very one that the chairman and Congressman Horton and others have raised. And that is, is it the most efficient way to do it and do we end up with a Government that can operate well and be efficient? And I say no, I do not think it does.

In other words, you are giving up efficiency and good Government operations for the bigger goal, maybe, of getting the deficit down. And the one question I raised—I think last fall—and I continue to wonder, and that is, is it a good process to do for 5 straight years, as is presently law? And I am not sure that it would be. But that is my main concern.

Mr. **DioGuardi**. Well, could you see a better option? For instance, in thinking about all the options that we could bring to bear on reducing the deficit—and I think there is consensus across this country that we must reduce the deficit—do you see an option that is better than the Gramm-Rudman option?

Mr. **Bowsher**. I have always thought that a better option would be to take a longer term view, if you could politically—and you people have to judge because you are running for the elected offices—and to put it more on the obligation authority. In other words, choking down on the program of the future, which will eventually give you the lower expenditures but does not force you to do it on expenditure totals in a current fiscal year, you might say.

In other words, by putting that emphasis on expenditure dollar goals, you are forcing short-term, 1-year actions to meet those goals which might not be where you want to get to at the end of 5 years, if you looked at the overall operations of Government. But it does not do it quite as fast as what the Gramm-Rudman process forces you to do.

Mr. **DioGuardi**. So we probably ought to refine the process. But the ultimate goal of deficit reduction, I think, is important.

Mr. **Bowsher**. I would think after you go through the 1987 process, I think it might be worth looking at, myself.

Mr. **DioGuardi**. Just one question on the numbers themselves. When you talked about 1987, were you assuming an increase in the defense budget in your qualitative judgment on 1987. What assumptions were you using?

Mr. **Bowsher**. As I said, that was pure speculation and I was just kind of assuming that the expenditures in defense are spending out faster and therefore you are going to have an increase in those expenditures with the existing dollars that are in the pipeline. And I do not see a major reduction there, but I was not assuming a big increase either, Joe, in the defense area.

Mr. **DioGuardi**. Thank you.

Mr. **Brooks**. I want to thank you for being here today, you and your staff. This concludes today's hearings on the impact of the Gramm-Rudman-Hollings law. I really appreciate your coming down and contributing your thoughts on this matter.

I want to repeat that the purpose of today's and tomorrow's hearings is not to second guess the Supreme Court or preempt the Budget Committee on the budget resolution, but to examine the impact to date of the Gramm-Rudman-Hollings law and its anticipated consequences in the coming months.

It is clear, from what we have heard, that regardless of any actions forthcoming from the Supreme Court, by the House or the Senate Budget Committees, we are going to face a major sequestration in October. Consequently, we could have a fascinating August, September, and October. That is aside from the campaigns.

This hearing is adjourned until 10 a.m. in the morning when we will hear from Rudolph Penner, Director of the Congressional Budget Office.

Thank you and good day.

[Whereupon, at 12:40 p.m., the subcommittee adjourned, to reconvene at 10 a.m., Thursday, June 19, 1986.]

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IMPACT OF THE GRAMM-RUDMAN-HOLLINGS LAW

THURSDAY, JUNE 19, 1986

House of Representatives,
Legislation and National Security Subcommittee
of the Committee on Government Operations,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:38 a.m., in room 2154, Rayburn House Office Building, Hon. Jack Brooks (chairman of the subcommittee) presiding.

Present: Representatives Jack Brooks, Stephen L. Neal, Frank Horton, and Joseph J. DioGuardi.

Full committee staff present: William M. Jones, general counsel; Robert H. Brink, Donna Fossum, and Robert S. Richard, professional staff members; Marilyn Jarvis, clerk; Stephen M. Daniels, minority staff director and counsel; and Alexander B. Cook, minority professional staff, Committee on Government Operations.

Mr. Brooks. This morning, we continue to examine the impact of the Gramm-Rudman-Hollings law. Yesterday, Comptroller General Chuck Bowsher testified that the fiscal year 1986 sequestration cuts made pursuant to the provisions of this law resulted mostly in "belt-tightening" by Federal agencies. This has meant that the agencies have postponed procurements, and restricted travel and training, and frozen hiring. Some also expect to furlough employees for a time before the end of September.

Comptroller General Bowsher further noted that the Federal agencies that appear to have suffered the most under the first round of sequestration cuts were those agencies charged with ensuring the health and safety of our citizens. Among those Federal agencies are the FAA, the Customs, the DEA, the Federal Prison System, and the Coast Guard. The operations of the IRS have also been adversely affected by Gramm-Rudman-Hollings.

This morning we will explore the likelihood that another round of Gramm-Rudman-Hollings sequestration cuts are going to occur, and examine what their likely effect will be.

Our witness this morning is a very able and qualified man, Rudolph G. Penner, Director of the Congressional Budget Office. We appreciate your appearing before us today. We look forward to your statement. Please proceed.

Mr. Horton. Mr. Chairman, I just want to ask unanimous consent to put my statement in the record at this point. And I join you in welcoming Mr. Penner here this morning. He has been before our committee before; has a very responsible job and a very responsible position with regard to this Gramm-Rudman process.

He is held in high regard on both sides of the aisle, and we certainly do want to welcome you to the committee, and we look forward to your testimony on this very important, controversial, difficult, complex issue. Thank you.

Mr. Penner. Thank you.

Mr. Brooks. Without objection, so ordered. And the gentleman is recognized.

[Mr. Horton's statement follows:]

STATEMENT OF THE HONORABLE FRANK HORTON

Mr. Chairman, I am very glad that we have the opportunity today to continue our hearings into the effects of the Gramm-Rudman law on the operations of our government. Today, as yesterday, we have the opportunity to hear from one of the important participants in the procedure established under that bill.

Under Gramm-Rudman, the Congressional Budget Office is responsible, along with OMB, for evaluating the Federal budget and determining whether the next fiscal year will produce a deficit beyond established limits. The reports from these two agencies form the basis for the GAO report setting out the extent of any sequestration order.

Mr. Penner, I would like to join the Chairman in welcoming you here today. Yesterday, as you know, we heard from the Comptroller General on his view of the Gramm-Rudman procedures. He painted a picture of the law as achieving lower budget deficits at the cost of decreased efficiency in government operations. We look forward to hearing your comments this morning. I hope that included among them will be your analysis of Mr. Bowsher's hypothesis.

STATEMENT OF RUDOLPH G. PENNER, DIRECTOR, CONGRESSIONAL BUDGET OFFICE

Mr. PENNER. Thank you, Mr. Chairman. It is a great pleasure to be here to discuss the Balanced Budget Act with you.

I believe that yesterday the Comptroller General laid out the basic procedures for you, so I will just skip over that part of my testimony. There is a chart over here that lists the key dates, and a similar chart appears on page 3 of my testimony.

Starting on page 4 of the testimony, we describe an illustrative sequestration based on several very important assumptions. First of all, we make no change in either our February economic forecast or in the technical assumptions that we used in February. Obviously, some changes are likely when we make our August report. Further, this illustration reflects legislation enacted since the February forecast but assumes no new legislation affecting the budget between now and August 15. Or putting the matter another way, in our annual report of last February, we gave you an illustrative sequestration for 1987. All we have done in this new illustration is to adjust the February numbers for legislation passed since then.

It is also very important to emphasize that the sequestration amount in August depends not just on our report, but rather on an average of OMB and CBO estimates. Or, if the GAO remains in the picture next August, they can choose either of our estimates, or use entirely new ones that they would construct.

The last important point to make in evaluating our numbers here is that our assumptions essentially assume that there are no appropriations legislation passed before August 15.

Under those circumstances the law is very precise in directing us to go back to the 1986 appropriation levels and use them as our base for the calculation and for calculating the percentage amounts. In other words, the law does not allow us to adjust the base in any way for inflation. It is equivalent to a nominal freeze with regard to——

Mr. BROOKS. What about continuing resolutions?

Mr. PENNER. Anything less than a 12-month continuing resolution must be ignored. But if we have a full 12-month continuing resolution, we would take that into account.

Well, let me start reading my statement where we get to the actual numbers.

The major elements of the calculations for the illustrative 1987 sequestration are shown in table 2 on page 8. Although the sequestration actually applies to new budget authority and other spending authority, the calculations use outlay estimates to determine the amount of the sequestration.

The first step is to divide the amount of the estimated excess deficit, which would be $16.6 billion in our illustration, into two halves. One half—$8.3 billion—is assigned to defense programs, and the other half to nondefense programs.

Second, the total amount of outlay savings from eliminating automatic spending increases is calculated. One-half of those savings for indexed retirement and disability programs is applied to the required reductions in defense programs, and one-half to nondefense. Under our February economic assumptions, this amounts to an estimated $1.2 billion for 1987, so that $0.6 billion is subtracted from the $8.3 billion required outlay reduction for both defense and nondefense programs.

Various additional calculations have to be made for nondefense programs, including the savings that can be obtained by eliminating the automatic spending increases in three programs—the National Wool Act, Special Milk Program, and vocational rehabilitation grants. Also included are savings to be obtained by applying certain special rules for guaranteed student loans, foster care and adoption assistance, Medicare, and veterans health programs. These estimated savings amount to another $1.5 billion, which is also subtracted from the required $8.3 billion in nondefense outlays.

This leaves $7.7 billion for defense programs and $6.2 billion for nondefense programs to be obtained by across-the-board, uniform percentage reductions in budgetary resources. The uniform percentages are calculated by dividing these dollar amounts by total estimated 1987 outlays associated with sequestrable budgetary resources. For defense programs, the sequestrable base is estimated to be $173 billion. For nondefense programs, the equivalent base is $109.6 billion—lower than for defense programs because a large portion of nondefense spending is either exempt from sequestration or limited by special rules. The resulting sequestration percentages are 4.5 percent for defense and 5.7 percent for nondefense. These percentages are then applied to the new budget authority and other spending authority in the sequestration base.

The sequestration base levels and sequestration calculations are very sensitive to changes in economic assumptions and other factors. It is not unusual these days for budget deficit estimates to change by tens of billions of dollars within a 6-month period because of revised economic forecasts and other factors. For example, lower real growth and taxable income projections can result in significantly reduced revenue estimates.

If you turn to table 3 on page 11 of my testimony, Mr. Chairman, you can see how important this effect is. For example, suppose the excess deficit calculation went from $20 to $30 billion because of a change in our revenue estimate. A $10 billion change in our revenue estimate would be a little over 1 percent—not much of a change. But because only, roughly speaking, a quarter of the budget bears the full brunt of sequestration, you can see how, because of that small change in our deficit estimate, the sequestration percentage changes by quite a lot—in this case from 5.4 percent in defense to 8.3 percent, or for nondefense from 7.3 to 11.8 percent.

Thus, the way the sequestration is structured tends to really magnify the effect of any adjustment to our estimates.

Looking at the impact of the sequestration of this sort of magnitude, a 1987 sequestration of 4.5 percent for defense programs and 5.7 percent for nondefense programs would be much more severe than these percentages imply. First, in my illustration, these reductions would be on top of the 1986 sequestrations of 4.9 percent for defense and 4.3 percent for nondefense programs. Therefore, you should look at it as though you combine these two sequestrations, and they imply reductions from the original appropriation levels passed in 1986 of 9.2 percent for defense and 9.8 percent for nondefense programs. Second, the reduction in real terms would be even greater because, as I said before, we would not be allowed in these circumstances to adjust for inflation in any way.

The postsequestration budget levels for 1987 are shown in table 4 in comparison to 1986 scorekeeping levels and 1987 CBO baseline projections and sequestration base levels. Total outlays for 1987 would be limited to $990 billion under our illustrative sequestration, only $10 billion more than the outlays estimated for 1986—roughly a 1 percent increase. Defense outlays would be held to about the 1986 estimated level, while nondefense outlays would rise by only $5 billion.

To achieve these results, new budget authority for the national defense function would be reduced to $276 billion through sequestration, more than $10 billion below the amount available in 1986 and more than $40 billion below the level requested by the President for 1987. Furthermore, the resulting program mix would be very different from that proposed by the President. Also, mandatory increases in Social Security outlays and other entitlement programs would have to be almost completely offset by decreases in other nondefense programs.

Additional details on the illustrative 1987 sequestration for defense programs are shown in Table 5. Although the impact would vary from program to program, it would not be much different from the impact of the 1986 sequestration except for military personnel accounts, which would be especially hard hit.

The military personnel accounts were almost totally exempt from sequestration in 1986, but would not be exempt under the law in 1987. They would be hit harder than other defense accounts in 1987 because the starting point for the reduction would be from an already depressed level. To fund certain pay raise and retirement costs, the 1986 appropriations for military personnel provided access to unobligated balances in the procurement accounts in lieu of new budget authority. Consequently, 1986 new budget authority in the military personnel accounts is about 7 percent—or $5 billion—lower than actual costs. Reducing the 1986 budget authority level by another 4.5 percent under our illustrative sequestration would reduce available resources 11 percent below the level needed to support current manpower strengths. This could translate into a reduction of 350,000 or more active and reserve personnel as a result of the 1987 sequestration.

Regardless of the outcome of the Supreme Court decision, the sequestration procedures for 1987 will begin in August when CBO and OMB release their initial budget estimates. The CBO estimates presented today are illustrative only and are subject to significant change over the next 2 months as a result of legislative actions, revisions to the underlying assumptions, and other factors.

While our illustrative 1987 sequestration involves relatively low across-the-board percentage cuts in spending programs, the impact would be quite severe, especially for military personnel, since the cuts would be applied to 1986 postsequestration appropriation levels for most programs.

Thank you very much, Mr. Chairman.

[Mr. Penner's prepared statement follows:]

Statement of
Rudolph G. Penner
Director
Congressional Budget Office

before the
Subcommittee on Legislation and National Security
Committee on Government Operations
U.S. House of Representatives

June 19, 1986

NOTICE

This statement is not available for public release until it is delivered at 10:00 a.m. (EDT), Thursday, June 19, 1986.

Mr. Chairman, I am pleased to have the opportunity to discuss the sequestration procedures under the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177)—or more briefly, the Balanced Budget Act. My statement this morning will cover two areas:

- The sequestration procedures for fiscal year 1987 that will begin in August; and
- Some illustrative sequestration calculations for 1987.

SEQUESTRATION PROCEDURES

The Balanced Budget Act establishes steadily declining deficit targets after 1986, culminating in a balanced budget in fiscal year 1991. The deficit target for 1987 is $144 billion. Unless the Congress acts to reduce the deficit to within $10 billion of this level before the start of the fiscal year, the $144 billion deficit target would be achieved by sequestering budgetary resources. The act provides a $10 billion leeway for 1987 through 1990, but none for 1991. Except for trust and special funds, sequestration involves permanently canceling new budget authority and other spending authority to obligate and expend funds.

The deficit estimates used to implement the act are provided by the Congressional Budget Office (CBO), the Office of Management and Budget (OMB), and the General Accounting Office (GAO). Although the automatic spending reduction provision of the act has been ruled unconstitutional by a federal district court and this ruling may be upheld by the Supreme Court, the sequestration of budgetary resources to achieve the deficit targets would remain an option to be used by the Congress under alternative procedures.

The first step in the sequestration process for 1987 will be a joint report by the Directors of CBO and OMB on August 20 that estimates budget base levels as of August 15, and calculates the amounts of budgetary resources to be sequestered if the deficit is greater than $154 billion. The joint Directors' report, which must be printed in the Federal Register, will be made either to the Comptroller General or to a special joint committee of the Congress, depending upon the decision of the Supreme Court regarding the role of GAO in the sequestration process.

The next steps in the sequestration timetable are laid out graphically in Figure 1. If GAO remains in the process, the Balanced Budget Act sets forth a detailed schedule of events with specific dates. In the event that the GAO role is invalidated, the act sets forth an alternative procedure in which the Congress would vote on future sequestrations that would then be subject to Presidential approval. Under either set of procedures, the role of CBO and OMB remains the same. Our major tasks are to prepare two reports, one in August and the other in October. The October report is to reflect any Congressional action on the 1987 budget taken during September that would affect the August deficit estimates and sequestration calculations.

FIGURE 1. SEQUESTRATION TIMETABLE FOR FISCAL YEAR 1987

Balanced Budget Act Procedure	Alternative Fallback Procedure
Aug. 15 - Snapshot of deficit by CBO and OMB	Aug. 15 - Snapshot of deficit by CBO and OMB
Aug. 20 - CBO/OMB report sent to GAO	Aug. 20 - CBO/OMB report sent to the Congress
Aug. 25 - GAO report to the President	- Temporary Joint Committee on Deficit Reduction reports joint resolution within five days
Sept. 2 - Presidential order is issued	- House and Senate vote on joint resolution within five days
Oct. 1 - Presidential order takes effect	- President approves joint resolution and issues sequestration order
Oct. 6 - CBO/OMB issue revised report to GAO reflecting final Congressional action	Oct. ~~5~~ 6 - CBO/OMB issue revised report to the Congress
Oct. 10 - GAO issues revised report to the President	- Congress votes on sequestration
Oct. 15 - Revised Presidential order is issued	- President approves and issues revised sequestration order
Nov. 15 - GAO compliance report is issued	

We have already begun to work with OMB to prepare for our August 20 report. This work involves the discussion of a few conceptual issues in defining the budget base for the August 15 "snapshot" in the event that the Congress does not complete action on the appropriation bills and other legislation affecting the 1987 budget. It also includes the review of the sequestration calculations as they affect specific budget accounts, and the coordination of our computer data systems so that we can exchange and compare budget estimates quickly. This joint work effort is going very smoothly, as it did last December and January when we produced the 1986 sequestration report.

ILLUSTRATIVE SEQUESTRATION FOR 1987

In our annual report to the Budget Committees last February, we gave a preview of the CBO budget estimates and sequestration calculations for 1987. This preview used our February economic forecast and technical estimating assumptions and was based on the laws in place at that time. Since then, the Congress has passed several measures that affect the budget outlook for 1987, the most important of which is the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA).

For today's testimony, we have updated our February estimates for enacted legislation but have left unchanged the economic and technical assumptions. These assumptions will be updated later for the August Directors' report, and there also may be additional budgetary legislation that is enacted before August 15. Thus, the numbers that are presented today most certainly will change between now and August, and these changes could be significant. In addition, the August report will use the average of CBO and OMB estimates of key amounts, which will result in further changes to the sequestration calculations used here for illustrative purposes.

Budget Base Levels for 1987

The budget base levels of federal revenues and outlays determine the size of the excess deficit and, thus, the amount by which spending must be reduced through sequestration. The Balanced Budget Act contains a number of instructions for measuring the budget base. The revenue level in the budget base is to be estimated on the assumption that current tax laws continue unchanged, and that expiring provisions will terminate as scheduled except for excise taxes dedicated to a trust fund, which are to be extended at current rates.

The outlay level for entitlements or permanent appropriations is also to assume continuation of current law and termination of expiring provisions, except for Commodity Credit Corporation (CCC) price-support programs, which are to be extended at current rates. For annual discretionary appropriations, the outlay base estimates are to include enacted appropriation levels. If appropriations for the fiscal year have not been enacted by the "snapshot" date, the outlay base estimates are to assume appropriations equal to those in force for the previous year with no adjustments for inflation. Thus, for the upcoming August 20 report, we will use 1986 postsequestration appropriation levels for discretionary spending programs unless any 1987 appropriations are enacted by August 15. If only a short-term continuing resolution is enacted by October 1, we will continue to use the 1986 appropriations, adjusted for the 1986 sequestration, for the budget base estimates for the October ~~5~~ 6 report.

The latest CBO estimates of the 1987 budget base levels are shown in Table 1. These estimates assume that no appropriations for 1987 are enacted by August 15. Table 1 also shows our latest scorekeeping estimates for 1986 and updated baseline budget projections for 1987. I would like to make three comments about the budget estimates shown in Table 1. First, the outlay reduction for 1986 was limited by the Balanced Budget Act to a maximum of $11.7 billion, regardless of the amount of the excess deficit. In 1987 and later years, the amount of possible outlay reductions is not limited.

TABLE 1. CBO BUDGET ESTIMATES FOR 1986 AND 1987 (By fiscal year, in billions of dollars)

	1986 Current Level a/	1987 CBO Baseline b/	1987 Sequester Base b/
Revenues	778.5	846.4	846.4
Outlays	980.3	1,018.6	1,007.0
Deficit	201.8	172.2	160.6
Balanced Budget Act Deficit Target	171.9	144.0	144.0

SOURCE: Congressional Budget Office.

a. CBO scorekeeping estimates.
b. CBO February projections updated only for Congressional legislative action.

Second, under our February economic and technical baseline assumptions, revenues will grow faster than outlays. As a result, the 1987 deficit will be smaller than is estimated for 1986. The updated CBO baseline projection for the 1987 deficit is $172 billion, about $30 billion lower than our latest scorekeeping estimate for the 1986 deficit.

Third, the sequestration base deficit estimate for 1987 of $161 billion is lower than our baseline projection by over $10 billion. This difference is because we must exclude from our sequestration calculations the various discretionary inflation and other adjustments that we make for our baseline projections to keep program levels constant in real terms. While we can take account of inflation and other factors in our CBO baseline budget projections, we cannot do so for our sequestration base estimates. As will be made clear later, this will have a major impact for a possible 1987 sequestration for the defense budget.

Sequestration Calculations

The major elements of the calculations for the illustrative 1987 sequestration are shown in Table 2. Although the sequestration actually applies to new budget authority and other spending authority, the calculations use outlay estimates to determine the amount of sequestration.

The first step is to divide the amount of estimated excess deficit--$16.6 billion in our illustration--into two halves. One-half--$8.3 billion--

is assigned to defense programs (budget accounts in function 050) and the other half to nondefense programs.

Second, the total amount of outlay savings from eliminating automatic spending increases is calculated. One-half of the resulting savings for indexed retirement and disability programs is applied to the required

TABLE 2. ILLUSTRATIVE SEQUESTRATION CALCULATIONS FOR 1987 (In billions of dollars)

Budget Base Estimates a/	
Revenues	846.4
Outlays	1,007.0
Deficit	160.6
Balanced Budget Act deficit target	144.0
Excess deficit	16.6

Sequestration Calculations

	Defense	Nondefense
Total required outlay reductions	8.3	8.3
Savings from eliminating automatic spending increases	0.6	0.6
Savings under special rules	---	1.5
Remaining reduction required	7.7	6.2
Sequestration outlay base	173.0	109.6
Uniform sequestration percentage b/	4.5	5.7

SOURCE: Congressional Budget Office.

a. February CBO estimates updated only for Congressional legislative action.

b. Remaining required reductions divided by the sequester outlay base.

reductions in defense programs and one-half to nondefense programs. Under our February economic assumptions, this amounts to an estimated $1.2 billion for 1987, so that $0.6 billion is subtracted from the $8.3 billion required outlay reduction for both defense and nondefense programs.

Various additional calculations are made for nondefense programs, including the savings that can be obtained by eliminating automatic spending increases in three programs--the National Wool Act, the special milk program, and vocational rehabilitation grants. Also included are savings to be obtained by applying certain special rules for guaranteed student loans, foster care and adoption assistance, Medicare, and veterans health programs. These estimated savings amount to another $1.5 billion, which is also subtracted from the required $8.3 billion in nondefense outlays.

This leaves $7.7 billion for defense programs and $6.2 billion for nondefense programs to be obtained by across-the-board uniform percentage reductions in budgetary resources. The uniform percentages are calculated by dividing these dollar amounts by total estimated 1987 outlays associated with sequestrable budgetary resources. For defense programs, the sequestrable outlay base is estimated to be $173.0 billion. For nondefense programs, the equivalent base is $109.6 billion--lower than for defense programs because a large portion of nondefense spending is either exempt from sequestration or is limited by special rules. The resulting sequestration percentages are 4.5 percent for defense programs, and 5.7 percent for nondefense programs. These percentages are then applied to the new budget authority and other spending authority in the sequestration base.

Sensitivity of Sequestration Calculations

The sequestration base levels and sequestration calculations are very sensitive to changes in economic assumptions and other factors. It is not unusual these days for budget deficit estimates to change by tens of billions of dollars within a six-month period because of revised economic forecasts and other factors. For example, lower real growth and taxable income projections can result in significantly reduced revenues estimates. Similarly, lower farm commodity prices can result in sharply higher spending estimates for CCC outlays. Also, reestimates on the order of $3 billion to $4 billion are not uncommon for defense outlays because of changes in spending rates observed in monthly Treasury statements.

For each $10 billion increase in the excess deficit, the uniform sequestration percentage for defense programs is increased by about 3 percentage points, and for nondefense programs by about 4.5 percentage points, as shown in Table 3. For example, if the August deficit estimate for 1987 is $174 billion instead of $161 billion because of such factors as lower revenues and higher farm price supports, which would not change the sequestration base by very much, the sequestration percentages would rise to 8.3 percent for defense programs and 11.8 percent for nondefense programs.

1987 Sequestration Impact

A 1987 sequestration of 4.5 percent for defense programs and 5.7 percent for nondefense programs would be much more severe than these percentages imply. First, in my illustration, these reductions would be on top of the

1986 sequestrations of 4.9 percent for defense programs and 4.3 percent for nondefense programs. Combining the two sequestrations, they imply reductions from 1986 appropriation levels of 9.2 percent for defense programs and 9.8 percent for nondefense programs. Second, the reduction in real terms would be even greater because of the loss of any adjustments for inflation in 1987.

The postsequestration budget levels for 1987 are shown in Table 4 in comparison to 1986 scorekeeping levels and 1987 CBO baseline projections

TABLE 3. SEQUESTRATION PERCENTAGE REDUCTIONS UNDER ALTERNATIVE BASE LEVEL DEFICIT ESTIMATES FOR 1987 (In billions of dollars)

		Sequestration Percentage a/	
Base Level Deficit	Excess Deficit	Defense Programs	Nondefense Programs
194	50	14.1	20.9
184	40	11.2	16.4
174	30	8.3	11.8
164	20	5.4	7.3
154	10	b/	b/

SOURCE: Congressional Budget Office.

a. Assumes no changes in the sequestration outlay base for defense and nondefense programs from those shown in Table 1, and no changes in the savings from eliminating automatic spending increases and from applying special rules for Medicare and other programs.

b. There would be no sequestration in 1987 if the base-level deficit does not exceed the deficit target by more than $10 billion.

and sequestration base levels. Total outlays for 1987 would be limited to $990 billion under our illustrative sequestration, only $10 billion more than estimated for 1986. Defense outlays would be held to about the 1986 estimated level, while nondefense outlays would rise by only $5 billion. To achieve these results, new budget authority for the national defense function would be reduced to $276 billion through sequestration, more than

TABLE 4. EFFECTS OF THE ILLUSTRATIVE 1987 SEQUESTRATION (In billions of dollars)

	1986 Current Level	1987 CBO Baseline	1987 Sequester Base	1987 Post Sequester
National Defense a/				
Budget authority	286.8	300.9	289.2	276.2
Outlays	269.5	284.0	276.5	268.7
Nondefense Programs b/				
Budget authority	669.5	707.5	698.8	689.0
Outlays	610.0	626.8	623.2	614.8
Net Interest and Undistributed Offsetting Receipts c/				
Budget authority	100.8	107.8	107.4	106.7
Outlays	100.8	107.8	107.4	106.7
Total				
Budget authority	1,057.1	1,116.2	1,095.3	1,071.8
Outlays	980.3	1,018.6	1,007.0	990.2

SOURCE: Congressional Budget Office.

a. Budget function 050.
b. Budget functions 150 through 850 and 920.
c. Budget functions 900 and 950.

$10 billion below the amount available in 1986 and more than $40 billion below the level requested by the President for 1987. Furthermore, the resulting program mix would be very different from that proposed by the President. Also, mandatory increases in Social Security outlays and other entitlement programs would have to be almost completely offset by decreases in other nondefense programs.

Additional details on the illustrative 1987 sequestration for defense programs are shown in Table 5. Although the impact would vary from program to program, it would not be much different from the impact of the 1986 sequestration except for the military personnel accounts, which would be especially hard hit.

The military personnel accounts were almost totally exempt from sequestration in 1986, but would not be exempt in 1987. They would be hit harder than other defense accounts in 1987 because the starting point for the reduction would be from an already depressed level. To fund certain pay raise and retirement costs, the 1986 appropriations for military personnel provided access to unobligated balances in the procurement accounts in lieu of new budget authority. Consequently, 1986 new budget authority in the military personnel accounts are about 7 percent (or $5 billion) lower than actual costs. Reducing the 1986 budget authority level by another 4.5 percent under our illustrative sequestration would reduce available resources 11 percent below the level needed to support current manpower strengths. This could translate into a reduction of 350,000 or more active and reserve service personnel as a result of a 1987 sequestration.

CONCLUSION

Regardless of the outcome of the Supreme Court decision, the sequestration procedures for 1987 will begin in August when CBO and OMB release their initial budget estimates. The CBO estimates presented today are illustrative only and are subject to significant change over the next two months as

TABLE 5. ILLUSTRATIVE 1987 SEQUESTRATION FOR DEFENSE PROGRAMS (In billions of dollars)

	1986 Current Level	1987 CBO Baseline	1987 Sequester Base	1987 Post Sequester
Department of Defense-Military				
Military personnel				
Budget authority	67.7	74.9	70.3	67.1
Outlays	71.7	74.3	69.6	66.6
Operation and maintenance				
Budget authority	74.8	77.6	75.4	72.0
Outlays	74.1	76.1	74.2	71.6
Procurement				
Budget authority	93.3	96.8	93.3	89.1
Outlays	78.1	85.0	84.6	83.8
RDT&E				
Budget authority	33.6	34.4	33.6	32.1
Outlays	30.3	32.2	31.8	30.9
All other DoD				
Budget authority	9.7	9.3	8.9	8.5
Outlays	7.8	8.6	8.5	8.3
Other National Defense				
Budget authority	7.7	7.9	7.7	7.4
Outlays	7.4	7.8	7.8	7.5
Total				
Budget authority	286.8	300.9	289.2	276.2
Outlays	269.5	284.0	276.5	268.7

SOURCE: Congressional Budget Office.

the result of legislative actions, revisions to the underlying economic assumptions, and other factors. While our illustrative 1987 sequestration involves relatively low across-the-board percentage cuts in spending programs, the impact would be quite severe, especially for military personnel, since the cuts would be applied to 1986 postsequestration appropriation levels for most programs.

Mr. BROOKS. Thank you, Mr. Penner.

In CBO's February report on the Economic and Budget Outlook, you note that a slight change in economic assumptions used to project economic growth could change the projected deficit estimate by as much as $69 billion. Your figures at the time had a projected range of deficits from a low of $138 billion to a high of $208 billion. This variation could mean that we might avoid a sequestration altogether in fiscal year 1987, or we might be forced to sequester $64 billion. If you skew the economic indicators just a little bit, you can change the whole impact of the ultimate numbers. I would like your professional view of just how accurate economic indicators are, how sensitive they are to such things as falling oil prices, rising unemployment, and the very significant change in the GNP figures from 3.7 in the first quarter, as estimated by the administration, to 2.9 as reflected by the facts in today's newspaper. That's a big switch. It's a lot of points. And so I wish you'd discuss that with us from a professional standpoint, because most people don't understand it, and it's very critical to the ultimate sequestration number. You start little, but you end up way big.

Mr. PENNER. You're absolutely right, Mr. Chairman, that the numbers are extremely sensitive to errors in the forecast. The numbers you cited, I feel fairly confident, take a range that would be very, very hard to violate. When we chose the high path and the low path that you cited there, we were really looking at extremes that bound even the remotest possibilities.

Perhaps you can get a better sense, though, of more likely changes by considering how much individual variables affect the estimate.

In reviewing our forecasting record, our average forecast of year-over-year growth—say, the February forecast for the year you are in—is just a little bit more than 1 percent. If a 1-percent error in our real growth estimate were to persist right from where we made the forecast through the end of fiscal year 1987, the deficit would be affected by $19 billion.

Interest rates are very important because of the huge public debt, and, of course, are very hard to forecast. You can't make much money on most forecasters' forecasts of interest rates. There, an error of 1 percentage point would change the 1987 totals by about $9 billion.

The budget used to be very sensitive to the inflation forecast. It isn't so much anymore because we've indexed the tax system now, and, by debating defense in real growth terms, we, in a sense, have indexed it as well. So that is not as important as it used to be. But the real growth and the interest rates are very crucial to the eventual outcome.

Mr. **Brooks**. When you mention those changes, I think everybody ought to be aware of this fact. They should keep in mind that this 1986 budget cut was $11.7 billion, and you're talking about swings of $9 and $16 billion with just minute changes in the forecasts.

Mr. **Penner**. That's correct, sir.

Mr. **Brooks**. The figures cited in your statement are based on the economic projections that were made last February. What kind of changes do you expect in these figures by the time you have that August 15 snapshot?

Mr. **Penner**. It's very hard for me to reply to that question right now, Mr. Chairman, because we have just——

Mr. **Brooks**. But it's already June.

Mr. **Penner**. It's already June, yes, sir, but we have just initiated our staff work in preparing the new forecast. It can be said that since our last forecast, we have had good news on interest rates and inflation, which have been coming below our February forecast, so that will save some money on the outlay side.

On the other hand, real growth and—because inflation is lower—the growth of the money value of GNP are also lower, and that will lose some money on the revenue side.

But it would not be very productive for me to speculate right now as to how all of that will wash when we come to our forecast in August, because the final result of that, of course, is not so dependent on what has happened so far, but rather on what we actually forecast for fiscal year 1987.

Mr. **Brooks**. Now, Mr. Penner, you said your estimate of the deficit in February would roughly be $162 billion. Would you say that it's going to be lower in 2 months, or do you think it might tend to be higher in 2 months?

Mr. **Penner**. I would rather not say, because speculation could be very destructive at this point without having any facts to back me up, especially with the budget conference going on right now.

I don't think it's going to be a lot better. I think I can say that with some assurance.

Mr. **Brooks**. You don't think oil prices are going to go up to $20 a barrel?

Mr. **Penner**. No, nothing like that. I mean, we're just——

Mr. **Brooks**. GNP is not going to 4 or anything like that?

Mr. **Penner**. We're just debating at this point. In fact, that's the first step in our forecast—to try and decide what we are going to assume about individual—what we call exogenous—variables like oil prices and exchange rates.

Mr. **Brooks**. Now what happens if the Comptroller General's role in the Gramm-Rudman-Hollings trigger mechanism is declared unconstitutional?

Mr. **Penner**. Well, then, from our personal point of view, our mechanical task remains precisely the same as it was under the original concept of the law. The only difference is that instead of OMB and CBO sending a report to the Comptroller General, we send it to a specially convened joint committee of the Congress. That committee must put our report on the floor of the respective bodies within 5 days. It must be unchanged, and then it must be voted into law to make it clearly constitutional.

Mr. **Horton**. Would you yield just a minute and let me ask a question right at that point?

Suppose they don't? Suppose they don't report a resolution and suppose there's no action. Then does sequestration still occur?

Mr. **Penner**. Well, I think the way the law is written, sir, there is no fallback to the fallback; that is to say, if things do not work according to the way the law envisions them to work, the situation becomes a little murky.

I assume, however, that under those circumstances any appropriation or other bill that would seem to violate targets would still be subject to the various points of order that are enumerated in the law. But as I say, it gets gray at that point.

Mr. **Brooks**. You did not write this?

Mr. **Penner**. The law? We kibitzed, I guess is the best way to put it.

Mr. **Brooks**. So, obviously, there are no penalties if the specially convened Temporary Joint Committee on Deficit Reduction fails to report a resolution. They do not shoot them. They do not do anything to them. And they may not report a resolution. And if they do report a resolution, the House may well not vote on it 5 days after they report it on the 25th day, theoretically, of August. I do not believe you can get a quorum of Members here on the 25th day of August unless you call upon the Pinkerton Agency, the CIA, the FBI, and the U.S. Marine Corps.

Mr. **Horton**. Plus the Air Force.

Mr. **Brooks**. To fly them back after they found them. I do not believe there is any way Congress is going to vote on it on the 25th day of August.

I have got 10 wonderful vacation days with my children before they have to go back to school around the first of September. Because Congress is not supposed to get out until the 16th of August, Members are not going to be back here on the 25th.

So Congress may not vote on it until the 2d of September and there is no necessity that they vote for or against it. Congress could kill it. If they kill it, then there will be no sequestration because the President can only act upon receipt of the resolution. And then, if he gets the resolution on the 25th, theoretically, he was going to act on September 2. And then, in October, we might begin sequestering all over again.

But there is no penalty that results for the failure of any of these things to happen. And, Mr. Penner, as you have commented to me beforehand, Gramm-Rudman was all drawn up on a theory that it would all happen just like the law says, that you will take your snapshot on the 15th. On the 20th you send your report down and your counterparts at OMB do the same thing. The Joint Budget Committees get together, theoretically on that date, and they start work. Five days from the 20th of August they produce a resolution that combines or departs from the recommendations made by you and your counterpart. And then Congress, 5 days later, is supposed to vote on that.

I will bet you a good bit of money that it is not going to happen just like they said because they did not have enough sense when they wrote it.

Mr. **Horton**. Mr. Chairman, just assuming that they did——

Mr. **Brooks**. That is a personal view.

Mr. **Horton**. Well, I agree with you on that and I assure that there is not going to be any session on the 25th.

But let us assume that we did everything and Congress passed a resolution and it went down to the President. He would have to act on it. If he vetoed it, it would have the same effect as though we did not act, would it not?

Mr. **Brooks**. That is right.

Mr. **Penner**. That is right, unless the veto is overridden. That is right.

Mr. **Brooks**. We are back to square one, then.

It is going to be a wonderful August and a wonderful September and if we get through that, then you have October when the process starts all over again—taking another snapshot and revising it. And then the committees have a revised resolution.

And we act on that on about the 15th of October. I am sure we all want to come back from campaigning and vote on that one. It will be just a delight and a pleasure to come back.

Mr. Neal, what do you think about that?

Mr. **Neal**. Well, my question is along somewhat different lines, if I may.

Mr. **Brooks**. All right. Go ahead.

Mr. **Neal**. It seems to me that it looks like the House and Senate are going to be pretty reasonable in meeting the Gramm-Rudman-Hollings deficit reduction target, defense spending to grow by no more than the rate of inflation, and pretty much freezing domestic programs and raising a little taxes.

The House and Senate seem to be pretty much in agreement on that approach, with just a few differences on some of the details. The President, of course, is absolutely irrelevant to the process. I mean, nothing that he has presented represents a serious attempt to deal with the problem.

But since the budget resolution is a document of the Congress and does not require Presidential approval, just leave him out of the picture for a while.

I guess my question is twofold. Do you agree that it looks like the House and Senate are going to meet those deficit reduction targets? And the other part of my question is this: This year, even with all of the many problems that the chairman has pointed out, we should be able to meet our budget targets.

The problem I have is with the following year. The economy is certainly soft and we will have already held the line on defense, cut significantly into domestic programs and raised a little taxes. It just seems to me that the outyears look even more difficult.

Mr. **Penner**. The House and Senate budget resolutions are a general matter, based on our economic and technical assumptions which—you may remember—are somewhat more pessimistic than OMB's of February. So if the Congress were to translate all of the policy decisions in either resolution into law, then the question becomes whether the economy or the economic forecast has changed sufficiently to push the deficit number beyond the magic $154 billion. The law built this $10 billion margin of error into the estimates.

In terms of future years, I think as a general rule you can say that the more you can do this year, the much easier it makes future years because—just for one thing—you get a very substantial saving on interest on the debt in the future, the earlier you reduce the deficit.

To go beyond that a little bit, I think it is clear that this is the most difficult year because you are having to go from a deficit that we estimate at—now, again according to our February assumptions—at roughly $202 billion for 1986 all the way down to $144 billion in subsequent years, the changes are $36 billion a year.

Mr. NEAL. Well, does it look to you like—I know you have already said this, and I did not hear it clearly—does it look to you like there is the likelihood that economic assumptions will change significantly enough to throw a real monkey wrench into what the House and Senate appear to be agreeing upon?

Mr. PENNER. You did not hear clearly because I did not say it clearly. It is just impossible for me to speculate on that at this moment because we have literally just started our forecasting process, just within the last few days.

So we really have not made many of the crucial decisions.

Mr. NEAL. When will you know?

Mr. PENNER. I should add, too, of course, as I said in my testimony, that the outcome does not depend just on CBO's forecast. Regardless of what we forecast, OMB may forecast something else and you take the average. But our current plan would be to proceed with what we call our economic and budget update, which we normally release early in August. We have done that for years, even before Gramm-Rudman.

That update will give you an early warning as to what might be coming out on August 20, to give you a little more time in there. Now I will not guarantee that changes will not occur between the two dates. There could be some changes. But I think at that point they would be quite minor.

OMB is scheduled, in the law, to make their equivalent report on July 15, so you should get some notion of what they are thinking at that time. With those two reports you will get some pretty good information as to how this situation is evolving somewhat earlier than August 20.

Mr. NEAL. Just one quick closing question. We have roughly—following the economic policies that we have—roughly doubled the national debt since 1981. That is, we have added roughly $1 trillion to the debt. Is that about the right figure?

Mr. PENNER. Rounding to the nearest trillion, yes.

Mr. NEAL. The interest on that portion of the national debt, I am guessing that the rate would average about 10 percent and the annual expenditure attributable to that new debt is about $100 billion a year. Is that roughly correct?

Mr. PENNER. The interest rates right now are a little lower, and we refinance about half the debt every year, so the interest bill responds very quickly to interest rates. In 1985, the interest bill was $129.4 billion.

Mr. **Neal**. And of that, how much would you attribute to this new trillion dollars' worth of debt?

Mr. **Penner**. I would have to go back and figure that out, sir, because interest rates and a lot of other factors have been changing. Ten years before, in 1975——

Mr. **Neal**. Well, would you just supply that for me when you get a chance? It looks to me like we have added a permanent expenditure of almost $100 billion a year that is nonproductive, has no purpose, and represents all the welfare payments put together times two.

Mr. **Penner**. To give you some historical figures, in 1980 the number was $52.5 billion. In 1975, it was $23.2 billion. So, in the 10 years since 1975, we have added about $100 billion in annual net interest costs. I will go back and give you some more information, but interest rates play some role.

[The information follows:]

Net interest has grown faster than any other major budget category since 1980. As shown below, annual outlays for net interest more than doubled from about $53 billion in 1980 to an estimated $139 billion in 1986. During the same period, the debt held by the public also more than doubled: from $715 billion at the end of 1980 to about $1,720 billion at the end of 1986. (Debt held by the public represents cumulative borrowing to finance deficits, and excludes debt issued to the federal government itself--mainly the more than $300 billion held by federal government trust funds.)

FEDERAL GOVERNMENT NET INTEREST AND DEBT, FISCAL YEARS 1980-1986
(in billions of dollars)

Year	Net Interest	Debt Held by Public (End of fiscal year)
1980	53	715
1981	69	794
1982	85	929
1983	90	1,142
1984	111	1,313
1985	129	1,510
1986 a/	139	1,720

a. Projected.
SOURCE: Congressional Budget Office.

The government's interest costs have increased sharply for two reasons: high interest rates and the growth of the debt. Interest outlays have grown faster than the debt itself, because interest rates during the first half of the 1980s far exceeded historical levels. At the moment, the average effective interest rate on the government's outstanding marketable debt--at about 10 percent--is one and a half percentage points above its level at the start of 1980, but almost three percentage points below its peak in mid-1982.

As the table shows, annual interest costs grew by about $86 billion--from $53 billion in 1980 to $139 billion in 1986--during the past six years. Any breakdown of this growth is arbitrary, but CBO estimates that approximately $26 billion of this increase may be attributed to the high interest rates that prevailed during this period. (Not only did the Treasury have to pay higher rates on the existing debt as it came due for refinancing, but these higher payments themselves led to additional borrowing.) The remaining increase of $60 billion or so is attributable primarily to the growth in debt since 1980 that occurred for other reasons, including the deep 1981-1982 recession and the federal government's tax and spending policies. At the same time, the government each year has received higher interest income, for example, on loans to participants in federal credit programs.

Policy changes enacted since 1981 have increased the government's borrowing needs and led to higher interest costs. Tax cuts and defense spending increases, in the aggregate, have not been offset by nondefense spending cuts. Federal debt and interest costs, though, would have increased even with the continuation of pre-1981 policies. CBO has estimated that approximately $30 billion of the $139 billion in net interest outlays this year result from policy changes since 1981.

Mr. **Brooks**. Thank you, Mr. Neal.

In monitoring those Federal agency accounts, have you noticed any effects in the February sequestration for fiscal 1986?

Mr. **Penner**. We, of course, being much smaller do not get into the agencies very much, so all we have to go on are the aggregate numbers of how the outlays are going. And we really have not, yet, picked up much effect of the original sequestration.

Mr. **Brooks**. I have got some questions for you that I will submit to you in writing.

Mr. **Horton**. Mr. Chairman, I have, too, and I will submit my questions and you can submit your answers in writing. Thank you.

[Mr. Penner's submissions to additional questions of Mr. Brooks and Mr. Horton follow:]

Additional Questions from Mr. Brooks for Mr. Penner

Question 1

What will happen if the February sequestration is invalidated by the Supreme Court?

Answer

Unless the Court's ruling calls for a different result, if the sequestration is to remain in effect, it would have to be ratified by the Congress and approved by the President. Presumably, the fallback procedure could be used to accomplish this. The CBO/OMB Directors' January 15 report could be submitted to the Congress, and the Temporary Joint Committee on Deficit Reduction could send this report to each House in the form of a joint resolution. This joint resolution would then have to be passed by both Houses and signed by the President.

That process would not ratify the actual sequestration, because the Comptroller General made a number of changes to the CBO/OMB Directors' report in his January 21 report to the President. Some of these changes were made at our request to correct inadvertent errors. Another change was made to resolve a conceptual difference between CBO and OMB. I believe that these and other changes made by GAO should be allowed to stand. Therefore, I think a better procedure would be to ratify the President's February 1 sequestration order, rather than to go back to the CBO/OMB January 15 sequestration report.

Question 2

What would happen if the February sequestration was invalidated by the Supreme Court and not subsequently ratified by Congress?

Answer

Unless the Court's ruling provides otherwise, at least the following would happen. First, the cancellation of 1986 budgetary resources would be reversed. This would mean that cost-of-living adjustments that were sequestered would be reinstated retroactively and that other funds could now be obligated.

Second, the March 1 sequestration would turn out to be a temporary deferral of spending actions, and probably would cause some reduction in 1986 outlays. But 1987 outlays would be higher, because some spending would slip over to the next year.

Third, the 1986 base for our August sequestration report would be higher, resulting in a larger deficit estimate and a greater potential sequestration for 1987. We have not made any precise estimates of how this would affect our 1987 sequestration calculations, but I would guess that it could raise our 1987 deficit estimate by as much as $10 billion. As I pointed out in my prepared statement, each $10 billion increase in the excess deficit translates roughly into an increase of 3 percentage points in the sequestration of defense programs and an increase of 4.5 percentage points in the sequestration of nondefense programs.

Question 3

In your monitoring of Federal agencies' accounts, have you noticed any difference in spend-out rates as a result of the February sequestration?

Answer

Because of the uncertainty that surrounds outlay estimates, it is not possible to ascertain the exact effects of the sequestration. As of now, we have only two months of actual data after the sequestration took effect, and it is therefore too early to clearly discern any effects of the sequestration. The outlay reductions may become apparent later in the fiscal year.

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Question 4

Did you encounter any difficulties in implementing Gramm-Rudman-Hollings for the Fiscal Year 1986 sequestration?

Answer

Our greatest difficulty was the shortness of time in which to do our work. We had only one month in which to prepare our January 15 report, and it came at the time when OMB was already very busy on the 1987 budget and we were working on our annual report to the Budget Committees.

Most of the provisions of the new law were sufficiently clear for us to implement, but we did have some relatively minor problems. Although the law directs us to average our differences where we could not reach agreement on various budget estimates, this clearly made no sense for conceptual differences. Accordingly, we worked diligently to eliminate any differences that derived from different interpretations of Gramm-Rudman-Hollings. We concluded that it was less important to eliminate any differences that resulted from different technical estimates because, in these cases, averaging made sense. An average of two different unbiased technical estimates in most instances would be as good as either of the two agency estimates.

By the January 15 report date, only one conceptual issue was left unresolved. This concerned a $51.7 million appropriation for interest payments to be made to the Washington Metropolitan Area Transit Authority (WMATA). We discussed this issue in our report to the Comptroller General and, in effect, invited him to cast the deciding vote. In this instance, the Comptroller General agreed with CBO that this appropriation was not sequestrable.

In an earlier instance, however, GAO sided with OMB on the sequestration of spending that was financed in whole or in part by offsetting collections such as user fees from nonfederal sources. An example of a program partially financed by offsetting collections is the Patent and Trademark Office, which in 1985 had total spending of $200 million and offsetting collections from the public of $107 million. We thought that the sequestration should apply only to that portion of spending financed by annual appropriations, but OMB believed the sequestration should be applied to the gross level of program activity. About 70 accounts with total spending of around $1.5 billion were involved, so we sought the GAO's opinion in advance to resolve the issue. In all others instances, we were able to resolve any conceptual differences with OMB on our own, and GAO agreed with our decisions in almost all instances.

Question 5

> What problems do you foresee with the implementation of Gramm-Rudman-Hollings for Fiscal Year 1987?

Answer

We have been working with OMB staff for several weeks in preparation for our August report. Some new conceptual issues have been identified regarding the definition of the budget base. One issue involves appropriated entitlements, such as Medicaid, assistance payments, Supplemental Security Income, child nutrition, and veterans' compensation and pensions. If the 1987 appropriations for these entitlements are not enacted by August 15, should our sequester estimates be based on the 1986 appropriation levels or on our current law estimates for 1987? There are some ambiguities in the law that lead OMB staff to conclude the estimates should be based on the 1986 appropriation levels, whereas we believe the correct interpretation is to use our current law estimates.

Another issue involves federal pay increases for 1987. We believe that our 1987 budget estimates should include the estimated cost of pay raises proposed by the President, but OMB staff believe a strict reading of the law precludes this result.

If the GAO role is invalidated by the Supreme Court, and if we are unable to resolve these differences by August 15, then we will average our differences and it will be left to the Congress to decide which agency is correct. I understand, however, that the special joint committee that receives our report may not be able to make changes in our calculations to resolve any conceptual differences. If so, then one problem that I foresee will be how to resolve conceptual differences between OMB and CBO if GAO is removed from the process.

Another problem I foresee is the little time we will have available to make our estimates for both the August and October reports if the Congress is busy passing legislation right up to the time of our "snapshot" dates. If there are a lot of spending bills passed in August or in September, we will have to work hard to keep our data bases current. Also, because of time lags between the Congress's passing bills and the President's signing them, it is possible that our "snapshots" will not capture the latest Congressional action since we can only include enacted legislation in our estimates. For example, the Congress could pass legislation at the end of September that would avoid a sequestration, but the bills might not be signed into law until after October 5. That would pose a serious problem for us all.

Finally, to the extent that any part of the government is operating after September 30, 1986, on the basis of a non-full-year continuing resolution (CR), there are bound to be unanswered questions about how sequestration would work, unless those questions are answered in the CR itself or in other enacted legislation.

Question 6

Have you noticed any unusual policy proposals that seem to be designed to circumvent the provisions of Gramm-Rudman-Hollings?

Answer

Putting constraints on spending usually leads to lots of proposals for evading these constraints through creative accounting or other means. These constraints have existed for several years now, so these proposals may have been made even if Gramm-Rudman-Hollings was not enacted.

One area of the budget that is particularly ripe for this type of evasion is federal credit programs, where the federal government serves as a lender or as a guarantor of private lending. In our cash-based budget accounting, direct loans are scored as outlays when loans are disbursed, and loan repayments are scored as offsetting collections or negative outlays. Loan guarantees, however, do not show up in the budget accounts at all except for the collection of guarantee fees or payments on loan defaults. Thus, one way to lower budget exposure, and possibly get a short-term favorable budget impact, is to transform direct loan programs into loan guarantee programs. The President's budget for 1987 included such a proposal for the Export-Import Bank, which we concluded was not a change in substance but only a change in form.

Another way to take advantage of our budget accounting conventions for credit programs is to sell loan assets, usually with a 100 percent federal guarantee to the purchaser. The sale of assets is usually scored as an offsetting collection, which lowers net outlays and the deficit. A good case can be made, however, that loan asset sales with 100 percent federal guarantees are really a form of borrowing and should not be recorded in the budget books as an offsetting collection.

The most recent example of budgetary evasion is the Administration's proposal to recapitalize the Federal Savings and Loan Insurance Corporation (FSLIC). This proposal goes to great lengths to disguise federal borrowing in such a way that it could be confused with an offsetting collection in the budget and thereby used to neutralize increased spending by FSLIC.

Question 7

What effect has the February sequestration had on the operations of CBO?

Answer

To achieve the $726,000 reduction mandated by Public Law 99-177, we took actions in several spending categories. We reduced what is called Other Services by $653,000. This reduction includes $191,000 from commercial ADP timesharing, $317,000 from interagency ADP timesharing, and $145,000 from systems, data, and model development funds. The savings were achieved primarily by transferring applications from mainframe computers to microcomputers, processing more jobs overnight, and postponing maintenance and development activities. These cuts constitute 90 percent of our total reduction.

In addition, ADP software purchases were reduced by $20,000 by postponing upgrades; equipment purchases were cut by $18,000, reducing planned microcomputer and word processing replacements and upgrades; and the semester intern program was reduced by four positions, resulting in a savings of $50,000.

As an offset, the printing budget was increased by $15,000 to provide some relief from the additional printing costs of $80,000 required for the sequestration reports in fiscal year 1986.

Questions by Mr. Horton for Mr. Penner

Question 1

As we move into the first full-year cycle of the Gramm-Rudman process, do you feel comfortable with the procedures you are expected to follow under this law?

Answer

Although we encountered some issues and problems in preparing the January sequestration report for 1986, they were relatively minor when viewed in the context of administering a law as complex as the Balanced Budget act. This is not to say that we had an easy time in preparing our joint report with OMB. Rather, the act is sufficiently clear in most instances to allow us to work out the details of the report with a minimum of difficulty. Objections to the results of our calculations are more likely to focus on specific provisions of the act than on our application of these provisions to various budget accounts.

Question 2

On what spending estimates will you base your deficit projections if, as is likely, the Congress has not enacted all 13 appropriations bills by mid-August? How will you then compile information for your August 15th "snapshot" of the FY 87 budget/deficit figures?

Answer

The Balanced Budget Act is quite specific on this matter. Entitlement spending for 1987 is assumed to follow current law; that is, 1986 spending will be adjusted for economic factors, demographic changes, and estimated automatic spending increases. If discretionary appropriations for 1987 have not been enacted by the "snapshot" date, our spending estimates are to be based on the 1986 appropriations with no adjustments for inflation. We interpret this to mean their postsequestration 1986 appropriation levels. Any 1987 appropriations that are enacted by August 15 will be included in our spending estimates.

Question 3

> Have you analyzed the impact of Gramm-Rudman on various individual agencies? Has its impact been relatively even among affected agencies? Are you aware of any agencies that have complained that essential services have had to be curtailed or eliminated as a result of Gramm-Rudman? If so, please provide details.

Answer

We have not made any detailed analyses of the impact of the 1986 sequestration on individual agencies. My general impression is that in most instances the agencies were able to absorb the 1986 reductions with minimum disruption in essential services. Some disruptions have occurred, however. For example, federal courts apparently have run out of funds to pay jury fees, which is causing a postponement of some trials. Also, there has been some disruption in the housing programs of the Veterans Administration and Federal Housing Administration because of program limits resulting from the 1986 sequestration. The Congress has had to deal with these problems through special legislative measures.

Question 4

Would you recommend that any additional accounts be exempted from the Gramm-Rudman automatic cuts?

Answer

We would not, as a matter of policy, make any such recommendations. This is a matter for the Congress to decide.

One area where we had a conceptual difference with OMB in our January report may have to be addressed by the Congress. This involves interest payments to the Washington Metropolitan Area Transit Authority (WMATA). Both CBO and OMB agree that the WMATA appropriation ought not to be sequestered, for reasons discussed in our January report. OMB, however, does not believe this outcome is permitted by the language of the Balanced Budget Act because it is not included among the budget accounts specifically mentioned in the act in Section 255(g)(2). CBO, on the other hand, believes the account can be exempt under the act. The Comptroller General resolved the issue for the 1986 sequestration by agreeing with CBO, but in such a way that it could become an issue again for a possible 1987 sequestration. If the GAO role is invalidated by the Supreme Court, then the issue may have to be resolved by the Congress.

There were other areas where the results, though required by the language of the act, may not have been intended by the Congress. For example, sequestration of Panama Canal Commission resources does not decrease the deficit; rather, it simply leads to a higher payment to the government of Panama. Also, while there was an apparent intention to exempt all unemployment insurance benefit payments from sequestration, the language used did not in fact exempt such payments to unemployed railroad workers.

CBO, OMB, and GAO have all been criticized by some Members for their 1986 sequestration treatment of offsetting collections from nonfederal sources, loans under certain VA life insurance policies, and medical payments for on-the-job injuries of federal workers. Some of these issues are the subject of pending litigation.

Question 5

> Gramm-Rudman requires that both outlays and new budget authority come within the deficit limit. How does this affect the ultimate level of cuts required? Does this pose special problems for any particular agencies?

Answer

The estimated levels of federal revenues and outlays determine the size of the deficit and, thus, the ultimate level of cuts required to meet the deficit targets under the Balanced Budget Act. New budget authority is not involved in the deficit calculation. It is involved, however, in the sequestration process because the only way that outlays can be cut is by reducing new budget authority and other spending authority. Outlay estimates are used to determine the amount of sequestration to be achieved through the elimination of certain cost-of-living adjustments, the application of several special rules, and the uniform reduction of budgetary resources in sequestrable accounts. The uniform percentage reduction is applied equally to all sequestrable budget authority and other spending authority amounts. The sequestered budget authority is then cancelled, or deferred in the case of trust funds and special funds. The amount of budget authority sequestered is about twice the amount of needed outlay reductions in a fiscal year because of time lags between the use of budget authority in making contracts and other obligations and the issuance of checks to pay for goods and services.

Question 6

How has Gramm-Rudman affected the defense budget? What specific defense accounts have been reduced? How does the total defense reduction relate to the non-defense budget reduction?

Answer

One-half of the sequestration is applied to defense programs and the other half to nondefense programs, as specified by the Balanced Budget Act. For the 1986 sequestration, the President was allowed to exempt the military personnel accounts and selected programs, projects, and activities (PPAs) within budget accounts. The President chose to use this authority for most of the funds in the military personnel budget accounts, and for a small number of PPAs within other budget accounts. The exemption of PPAs, however, had to be made up by deeper cuts of other PPAs within each account. This flexibility is not permitted by the Balanced Budget Act for 1987 and future years.

Aside from the military personnel accounts, all defense accounts were reduced by 4.9 percent under the 1986 sequestration. The actual dollar amounts involved are detailed in the joint CBO/OMB report to the Comptroller General, which was printed in the Federal Register for January 15, 1986.

Question 7

Since the defense budget authority covers multi-year projects, and outlays for those projects are often small at first but larger in later years, is defense particularly affected by the Gramm-Rudman requirement that outlays and budget authority both come within deficit limits?

Answer

The relationship between budget authority and outlays for the sequestration year is taken into account in estimating the base for sequestrable outlays. Sequestrable outlays are not the total fiscal year outlays for each budget account, but only those outlays that will result from new budget authority and other spending authority provided for the sequestration year. Outlays from previous years' appropriations are excluded from the calculations except in defense programs, where outlays from unobligated balances left over from previous appropriations are included. Thus, in general, defense is not particularly affected because it has budget authority that covers multiyear projects.

Defense programs, however, were particularly affected by the 1986 sequestration because of the exemption authorized for the military personnel accounts. The exemption had the effect of reducing the base for sequestrable budget outlays, and thereby raised the percentage reduction for nonexempt defense programs by almost two percentage points. Had the military personnel accounts not been exempted, the sequestration percentage for defense programs would have been about 3 percent instead of 4.9 percent. The 1986 sequestration percentage for nondefense programs was 4.3 percent, lower than for defense programs.

For 1987, however, the situation will be reversed because the military personnel accounts cannot be exempted by the President. Therefore, the sequestration percentage for defense programs will be lower than for nondefense programs, as shown in our illustrative 1987 sequestration.

Question 8 was not included in the questions submitted to
Mr. Penner

Question 9

> What special problems do you foresee in fulfilling your responsibilities under Gramm-Rudman if Congress ends up with a continuing resolution which includes several affected agency appropriations?

Answer

The act provides for two CBO/OMB "budget snapshots," the first as of August 15 and the second on or about October 1 taking account of intervening legislation. For both snapshots, if a full-year appropriation has not been enacted, we are to assume 1986 postsequestration spending levels in calculating the deficit and any resulting sequestration percentages. Unless the actual continuing resolution tracked exactly with the levels used for the October 1 snapshot, there would necessarily be some error in the sequestration percentage. The act gives no explicit directions how to proceed in such a case.

Question 10

Yesterday, the Comptroller General testified:

> "With no statutory limit on the sequester total (for FY 87), varying the economic assumptions would almost certainly alter the size of any sequester."

Do you agree? What basic economic assumptions would you make in developing your report under Gramm-Rudman? Did your assumptions differ during the 1986 cycle from those used by either OMB or GAO?

Answer

It certainly is true that changes in economic assumptions can result in significant changes in budget deficit estimates. For example, if we change our forecast for real economic growth by one percentage point, the estimated budget deficit for 1987 could change by as much as $19 billion. Similarly, a one percentage-point change in interest rates could result in a $9 billion change in our deficit estimate.

In making our budget estimates, we have to make a forecast for a large number of economic variables, including real economic growth, inflation, unemployment, taxable incomes, and interest rates. We usually do have differences with OMB on particular economic variables in our forecasts, which may have offsetting effects for our budget estimates. For 1986, for example, we had some differences with OMB on our economic assumptions, but our deficit estimates were within $1 billion in our joint report to GAO.

For the 1986 sequestration, GAO did not have to make its own economic forecast because the differences between the CBO and OMB forecasts were quite small and because the amount of the sequestration was limited. This may not be the case for 1987, however.

Question 11

> On page 7, you testify that your February economic and technical baseline assumptions indicate that revenues will grow faster than outlays, resulting in a 1987 deficit smaller than that estimated for 1986. On what did you base your assumptions? Are these assumptions still true today? If not, how have they changed? This morning's Washington Post, on page one, reports that the economy grew much more slowly in the first quarter than previously estimated. How does this affect your outlook for FY 1987?

Answer

The economic assumptions that we are using for our budget estimates are discussed in detail in our February annual report to the Budget Committees. I would refer you specifically to Chapter I of this report, which is titled The Economic and Budget Outlook: Fiscal Years 1987-1991.

Since we prepared this report, it is apparent that the economy is not performing exactly as we forecast. For example, real growth has been lower than expected. Inflation and interest rates are also lower than projected, and the unemployment rate is somewhat higher. How all this will affect our fiscal year 1987 budget estimates will not be known until we make a new forecast for our August economic and budget update report and the August sequestration report. We have just begun work on a new economic forecast, and it will be several weeks before we have any idea what impact a new forecast will have for the 1987 budget.

Question 12

> You indicate, on page 7, that you can take account of inflation and other factors in your baseline budget projections, but you cannot do so for your sequestration base estimates. Does this affect the accuracy of your predictions? Should this restriction be changed?

Answer

This restriction becomes a factor only when appropriations for the next fiscal year have not been enacted. In this case, the law directs us to use the previous year's appropriation levels for our calculations. Adding an adjustment for inflation may or may not help improve the accuracy of the budget estimates, depending upon what the Congress eventually does on the appropriation bills. In the past, adding an inflation adjustment factor would have improved the accuracy of the budget estimates. Now, however, with the declining deficit targets under the Balanced Budget Act and the general policy of restricting spending growth, an inflation adjustment factor could make the estimates less accurate.

In any event, it may not matter. Adding an inflation factor would increase our spending and deficit estimates, which would result in a larger sequestration to reach the deficit targets mandated by the Balanced Budget Act. In other words, it would just raise the starting point for the sequestration, but the same result would be obtained in the end.

Question 13

What are your current projections on the effect on revenues of the various tax bills in Congress--both the House-passed version, and the version reported out of the Senate Finance Committee?

Answer

The estimated revenue effects of the two tax bills are shown in the following table.

Estimated Revenue Effects of H.R. 3838
(By fiscal year, in billions of dollars)

	1986	1987	1988	1989	1990	1991
H.R. 3838, as passed by the House	7.4	-1.1	-5.5	-0.9	7.4	N.A.
H.R. 3838, as reported in the Senate	7.4	23.3	-18.6	-16.9	4.2	16.0

SOURCE: Congressional Budget Office and Joint Committee on Taxation.

NOTE: N.A. = not available.

Both bills also affect budget outlays, so the net effects on the deficit differ from the revenue effects shown above.

Mr. Brooks. These past 2 days we have received testimony from two of the key players in the implementation of Gramm-Rudman-Hollings concerning the impact of this law. It is clear that this law has already had a profound effect on the way the Federal Government does business. It is also clear that it could unleash an unprecedented wave of funding cuts this coming October.

When Gramm-Rudman-Hollings was enacted last December we could only speculate as to its impact. Today we are starting to acquire real details as to what it has done and what it is likely to do. Some of what we are learning is most disturbing. For example, among the agencies whose service delivery has been hurt the most by Gramm-Rudman-Hollings cuts have been those directly responsible for enforcing the Nation's laws and collecting its taxes. Just thumb through the supplemental appropriations bill that is currently in conference if you want to see a list of agencies hurting from last February's sequestration cuts.

Sixty days from tomorrow economic forecast reports will be issued by CBO and OMB that will begin the sequestration cycle for fiscal year 1987. Odds are very high that we could be facing a sequestration of $20 billion or more come October. That means that Federal agencies will have to absorb cuts of between 15 and 20 percent in a period of just 19 months.

Within the next few days the Supreme Court is expected to rule on the constitutionality of key provisions of the act. Regardless of the outcome of this decision, the essence of Gramm-Rudman-Hollings will remain in effect.

As the full force of Gramm-Rudman-Hollings becomes more visible, we can see the potential hazards posed by this scheme. There is a real danger that the law's rigid mechanical formula, driven by wildly volatile and extermely speculative economic forecasts and assumptions, could force changes in Governmet programs that will impair the Federal Government's ability to carry out its most basic functions, such as assuring the safety of our food supply, arresting and prosecuting criminals, and even providing for our national defense, as the head of the Congressinal Budget Office suggested today. These are serious questions that Congress, the President, and the Nation will have to face in the next 60 to 90 days.

I would ask unanimous consent that the staff be permitted to make technical and conforming changes in the oversight report approved by this subcommittee early this morning.

This hearing is adjourned, subject to the call of the Chair.

We thank you.

[Whereupon, at 11:16 a.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

IMPACT OF GRAMM-RUDMAN-HOLLINGS LAW

WEDNESDAY, JULY 23, 1986

House of Representatives,
Legislation and National Security Subcommittee
of the Committee on Government Operations,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:40 a.m., in room 2154, Rayburn House Office Building, Hon. Jack Brooks (chairman of the subcommittee) presiding.

Present: Representatives Jack Brooks, Stephen L. Neal, Frank Horton, Jim Saxton, Joseph J. DioGuardi, and Thomas D. (Tom) DeLay.

Full committee staff present: William M. Jones, general counsel; Robert H. Brink, Donna Fossum, and Robert S. Richard, professional staff members; Marilyn Jarvis, clerk; Stephen M. Daniels, minority staff director and counsel; and Alexander B. Cook, minority professional staff, Committee on Government Operations.

Mr. Brooks. The subcommittee will come to order.

Today we will continue our examination of the Gramm-Rudman-Hollings Law by taking an indepth look at the economic indicators that play a major role in the activation of this law's trigger mechanism.

The condition of the Nation's economy is without a doubt one of the most popular topics of the day. While there is not a lack of opinions regarding the state of our economy, there is definitely a lack of agreement among the opinions. The Office of Management and Budget and the Council of Economic Advisers state that the economy is strong and that we have nothing to worry about. Others suggest that the economy is not doing so well and hint at the possibility of a recession.

This morning, several of the Nation's leading independent economic forecasters will give us their assessment of the current condition of our economy. We will hear their predictions as to what the Federal deficit for fiscal years 1986 and 1987 are likely to be. In addition, we will learn what events are likely to affect the manner in which the Gramm-Rudman-Hollings Law may come into play in the next few weeks.

Before I introduce the witnesses, who I will introduce all at one time and present as a panel, I will recognize the ranking Republican, Mr. Horton.

Mr. Horton. Thank you, Mr. Chairman. I understand you had a nice evening last night, were roasted, and one of the nice things was that they called you Sweet Old Brooks. I do not know what that stands for but there was a good picture of you in the paper.

Mr. Chairman, we continue today our inquiry into the effect that the Gramm-Rudman-Hollings law will have on the workings of the Federal Government. Last month we heard from the Comptroller General of the United States and Director of the Congressional Budget Office on this subject. Both of them warned that the Federal budget deficit, it is likely, would be so substantial in fiscal year 1987 that sequestration would be triggered by Gramm-Rudman.

Agency budgets will be cut across the board with direct effects on programs and indirect effects on the economy as well. And I might say parenthetically, that also includes Congress.

Today we are fortunate to have as our witnesses a group of distinguished economists. Because economic projections will have a direct impact on the actual level of sequestration and consequently on how well agencies are able to perform their missions and how well the economy will function, the testimony that we are going to hear this morning will be very important to us.

It is especially timely because a recent Supreme Court opinion requires Congress itself to become involved in the evaluation of the projection, so we will have even greater reason than before to understand how these projections are made.

And I know that tomorrow we are going to hear from the head of the Office of Management and Budget, Mr. Miller. And I noticed in the paper this morning that the Senate is interested in requiring that the OMB be given the authority to act as the final agency prior to sequestration and that Mr. Miller is interested in having some discretion as to making those kind of assumptions. So I think it is going to be very important to hear what he has to say with regard to those discretionary items that he is interested in.

This is also a very important hearing and will certainly help us understand better what the calculations are that will be involved with regard to the possibility of sequestration later this year. So I am looking forward to the testimony of the witnesses.

Thank you, Mr. Chairman.

Mr. **Brooks**. Mr. Saxton.

Mr. **Saxton**. Mr. Chairman, I am very pleased to be here this morning to be able to take part in these hearings. I would like to commend you for calling on these particular witnesses specifically, because I cannot think of anything that is more important for Members of Congress to know and understand than the effect of Gramm-Rudman-Hollings on our activities in Congress, as well as their ideas as to what effect this entire process may have on the economy.

Nothing that we do in Congress, nothing that we will be involved in over the next year and into the future, will escape the fiscal implications of Gramm-Rudman-Hollings. So I think today's hearing is very, very important. I look forward to hearing how possible tax changes might affect us in Congress, in terms of our policymaking ability as well as the economy.

And as well, I am very interested in understanding from the witnesses what we might do in order to deal with the situation that we have found ourselves dealing with through the vehicle of Gramm-Rudman-Hollings.

So Mr. Chairman, once again I would like to say that I appreciate, very much, the opportunity to be here this morning and thank you for calling these hearings.

Mr. **Brooks**. Thank you, Mr. Saxton.

Our first witness will be Lawrence Chimerine. He is the chairman and the chief economist at Chase Econometrics. He has been president of the Monetary Policy Forum and chairman of the Economics Planning Council. Prior to joining Chase, he was manager of the U.S. Economic Research and Forecasting for IBM Corp., one of the institutions in this Nation which is interested in economic facts.

Our next witness will be Joseph Duncan, corporate economist and chief statistician for Dun & Bradstreet Corp. He served as the U.S. Representative to the United Nations' Statistical Mission, of which he was chairman in 1981. Prior to joining Dun & Bradstreet, he was the chief statistician for the Office of Information and Regulatory Affairs in the Office of Management and Budget, where he was responsible for national statistical policy.

Our final panelist will be Donald Straszheim, president and chief economist of Merrill Lynch Economics, Inc. Prior to joining Merrill Lynch, he was chief domestic economist for Wharton Econometric's and chief economist for Weyerhaeuser Co., one of the great paper and lumber operations in this country. He has also served on the board of directors of the National Association of Business Economists. We are delighted to see you.

We appreciate you being here, all of you. We think the condition of our economy is a significant and important topic that needs to be discussed. The people of this country need to realize exactly what the situation is and how best to cope with it. Most of them have no foggy idea of what that deficit is going to be and what is likely to happen when CBO and OMB take their snapshots on August 15.

My conscious is clear, I want you to know. I did not vote for Gramm-Rudman. I said there should be a slow reduction of the deficit, but that nobody could actually balance the budget. The allegation that one politician could balance the budget was an outright lie and stupid. Nobody could balance it without disrupting the entire country, especially in only a year or two. That was a joke.

The best they could do was aim the deficit down, which seems to be what most of the economists are now beginning to think is a wiser policy than the arbitrary, deep cuts Gramm-Rudman requires starting at $144 billion for fiscal year 1987's deficit.

So first we call on Mr. Chimerine. We are delighted to have you here, sir.

STATEMENT OF LAWRENCE CHIMERINE, CHAIRMAN AND CHIEF ECONOMIST, CHASE ECONOMETRICS

Mr. **Chimerine**. Thank you very much, Mr. Chairman. I am delighted to be here.

I believe you have copies of my prepared testimony.

Mr. **Brooks**. We have copies of all the statements now.

Mr. **Chimerine**. And they will be in the record, I assume.

Mr. Brooks. Without objection, your entire statement is placed in the record. We appreciate your comments at this point.

Mr. Chimerine. Thank you. What I will try to do, Mr. Chairman, is briefly summarize my statement and really focus on four areas. First, try to review where the economy is right now and cut through some of the misconceptions that I think you were alluding to in your earlier remarks, about the state of the economy. Second, my best shot as to where we are likely to go over the next year or two. Third, what the implications are for the budget deficit, particularly for fiscal year 1987. And fourth, my suggestions about what you might do about Gramm-Rudman and budget policy in general during this period.

So those will be the areas I will try to concentrate on.

Let me begin by reviewing where we have been and where we are now because I think, Mr. Chairman, it is very difficult to look ahead with any degree of confidence unless we first understand what is happening. And I think to do so, you first have to recognize that we have had an extremely unusual recovery period since the second of those two back to back recessions ended at the end of 1982. We are now in the fourth year of economic recovery. My arithmetic is failing me but I guess it is 43 months or 44 months, which makes this a very long recovery.

But nonetheless, in my judgment, I think the health of the economy has been vastly overstated by many for a number of reasons. First of all, there have been two separate and distinct parts to this recovery period. There was the first stage, which really took place in 1983 and the first half of 1984, when the economy grew very, very rapidly. And there has been the stage ever since then; namely, the last 2 years since the early summer months of 1984, when we have slipped down to extremely slow growth.

Measured by GNP, we have had average growth of only a little bit more than 2 percent for the last 2 years, which in my judgment is very inadequate, very sluggish, particularly in view of the fact that we did not complete the recovery process during the earlier 18 months.

Many people forget the fact that because of those two back to back severe recessions, the economy was tremendously depressed when this recovery process began. So 18 months of even very strong growth was not adequate to get us back to an acceptable level of economic activity, because of how low the starting point was. It was almost as if we fell down a 20-foot hole. We may have crawled back up 5 or 10 feet during that first 18-month period, but we still have a long way to go.

And unfortunately, during the last 2 years, we have made only marginal additional progress toward completing the recovery process.

As a result, many measures of economic performance are still very poor and by our earlier standards, pre-1980, would be considered completely unacceptable. Unemployment would be a good example. It has been almost steady at about 7 percent for the last 2 years. Prior to 1980, 7 percent unemployment would have been considered outrageous in this country. And in fact, we never had 7 percent unemployment during the entire postwar period except for a few months during the 1974-75 recession.

I think you can make the same argument with many, many other measures of economic performance. On an overall basis, the macroeconomic performance has been OK, but it certainly has not been great. One reason is that we have had very sluggish additional growth for the last couple of years.

Second, the pattern has been very uneven, as you well know Mr. Chairman, because the area you represent is one of those not doing particularly well right now. If you go to Wall Street and ask people about their perception of the economy, they will tell you it is terrific. If you ask a mortgage banker, he will say the same thing.

But if you go to Moline, IL, or Houston, TX, or a whole batch of other places I can cite, they will tell you what recovery? We are in a recession or a depression. It has been a very uneven pattern. And one of the problems is, while the economy as a whole has recovered, at least partially, and may be OK, specific industries and regions are not. Some of them are doing much better than average. Many of them are doing much worse than average. As a result, we still have large pockets—many large pockets—of extreme economic weakness around the United States.

And I think this has been neglected by many people as well.

As of right now you cited the second quarter GNP, Mr. Chairman. No matter which statistic I can cite, it is clear that at best the economy is still in this period of very slow growth that we have had for 2 years now. If anything, it has deteriorated somewhat during the last 3 or 4 months. And if I had to pick one word, I would say the economy is essentially stagnant. And the GNP number, the declines in industrial production, weak orders, and other statistics can confirm what is happening.

In addition, the feedback we get from clients is consistent with that because I think the economic statistics right now are not all that reliable.

So at best the economy has stagnated. There is no evidence at all, no sign of any turnaround or acceleration in economic activity.

How could this be, despite the fact we have had a number of what seem to be apparently favorable developments which led a number of forecasters as recently as 6 months ago to predict major acceleration and economic growth in 1986, and in some cases an economic boom?

We have had sharp declines in interest rates, in oil prices, in the U.S. dollar and foreign exchange markets, a big boom in the stock market. This led a number of people to predict a major acceleration in the economy. And as I said a moment ago, not only has it not happened, but if anything we may have gone a little bit in the other direction. Why?

I think, Mr. Chairman, there are essentially three reasons. First of all, when you look at it carefully, the stimulus that the economy is getting and will get from those developments that I have just cited has been vastly exaggerated and overrated, in my judgment. They will help the economy a little bit but no where near as much as some had expected, and therefore will not be able to produce an economic boom.

Second, some of the benefits are slower in coming than had been expected by some. And third, a lot of people have neglected the fact that there are other factors that affect the economy, many of which are negative right now and therefore are offsetting some of whatever modest added growth we may be getting from those favorable factors.

Let me quickly take you through the arguments, because it is very relevant for where we go from now on. Let me start with interest rates, which have come down sharply. Long-term rates—in fact, long-term Treasurys—are almost half of what they were 2 years ago, in the summer of 1984. Surely this must be terrific for the economy.

Well, I do not think so, Mr. Chairman, because first of all I think the decline in interest rates, to a great extent, reflects the weakness in the economy. The weakness is bringing interest rates down.

Second, real interest rates were so high when this period of decline began, that for many types of decisions they are still extremely high, still outside the range at which they tend to stimulate or impact decisions. And a perfect example would be industrial companies, companies that are considering inventory decisions or capital spending decisions.

Seven or eight percent interest rates look low compared with 14, but when you take into account that there has been no inflation in the industrial sector—in fact, deflation—real interest rates for industrial companies are still close to all time high levels. They cannot raise prices. And for them, therefore, an 8- or 9-percent interest rate is still a prohibitive number. And as a result, they are still cutting their inventories. They are cutting back on their capital spending plans.

You cannot just focus on nominal interest rates. You have to look at interest rates relative to the profitability of various investments and decisions. Those are being held down by inflation and, as a result, interest rates are still too high to positively impact the industrial sector.

Third, you also have to take into account underlying conditions. We are now in the fourth year of a recovery. The economy is overburdened with debt. People are reluctant to add additional debt. That is the way lower interest rates are supposed to stimulate the economy, by encouraging you to borrow more. We have overcapacity and overbuilding.

Take a builder in Houston, TX. I do not think another drop in interest rates right now would be sufficient—another percentage point or so—to encourage him to go out and build another empty office building.

So when you take into account the underlying conditions of high debt, overcapacity and overbuilding, the effect of declining interest rates is limited.

Mr. BROOKS. Yesterday, the Houston Chronicle announced that the unemployment rate in Harris County, Houston, TX, was 12 percent.

Mr. CHIMERINE. I am aware of that, Mr. Chairman. And I will get to oil prices in a moment. But I think that to some extent the Fed is pushing on a string and people are exaggerating the impact that lower interest rates will have on the economy. The only noticeable impact has been on single family housing.

And while that is helpful, it is not going to create a boom. And in fact, I would put it the other way. If we had not had a decline in interest rates, we would probably be in a recession right now. We need lower interest rates just to stay in the same place.

Let us talk about oil prices. And I think the basic conclusion is the same, as you are implying, Mr. Chairman. This country is a major producer of oil. And in fact, the dominant impact, therefore, of a decline of import prices on the economy comes from the reduction in the price of imported oil. The decline in the price of domestic oil results in a transfer away from the oil industry to other consumers in other industries.

There is a plus impact there and a minus impact. While it is not a perfect offset, on a net basis, the economy does not get a lot of stimulus from the decline in domestically produced oil prices. It gets it from imports. And as you know, until recently—we just do not import that much oil any more.

Imports relative to GNP of oil are less than half of what they were 12 or 13 years ago because we use less oil, we produce more of our own, we have become less energy dependent. And as a result, the favorable effect of oil price declines on the economy as a whole will be less than the negative effects in the seventies when oil prices rose.

It will be a small plus for the economy as whole, a big negative for the Southwest, a small plus most other places. But when you combine the two together, we are not talking about several percentage points of added GNP. We are not talking about the equivalent of a $60 or $70 billion tax cut that I keep reading about. On a net basis, it is more like an injection of $15 to $20 billion of stimulus to the economy, which is helpful, but again fairly small in relation to the size of the economy and just not big enough to create an economic boom.

What about the dollar? Surely that should be helping the economy. We are all painfully aware of the trade deficit. I think everyone on the panel is aware of what is happening in trade. We have seen no improvement yet, for a lot of reasons. First, the dollar was so grossly overvalued that in the early stages in the decline of the dollar, all we saw was a decline in those enormous profit margins that foreign companies were earning in U.S. markets. And I can cite you a number of examples.

I will give you one in particular. Until about 6 months ago, the Japanese sold 20 percent of the cars they produced in Japan in the United States. They made 85 percent of their worldwide profits on those sales. Because once they gained a competitive advantage, as the dollar kept strengthening, they did not have to pass that on further in terms of lowering their dollar prices in U.S. markets. They just fattened their profit margins.

It meant that we needed a sharp decline in the dollar to first erode those profits before we are going to get any price increases. We have begun to see those now, but it will take time to work through the economy.

Second, there are a whole batch of other countries whose currencies are still enormously undervalued relative to the dollar. Korea, Taiwan, Canada for example. And our trade deficit is continuing to worsen with those countries.

People have gotten accustomed to using imports. Our export markets are very sluggish because of weak domestic demand in other countries. OPEC is cutting back because of the squeeze on their oil revenues.

What I am saying is that at this point the trade deficit has not improved. It was premature to expect any improvement by now, as I will get to in a moment. The best we can see is a modest turnaround later this year, and primarily in 1987.

Mr. Saxton. Mr. Chairman, may I interrupt the witness and just ask one real short question?

Mr. Brooks. We are going to try to hear all the statements first and then we can ask questions.

Mr. Saxton. I understand, but on this point, I am told that the decline in the dollar oftentimes—as I think you are suggesting—takes a good deal of time to take hold and for us to notice any significant change in the trade deficit. Now that, I am told, is a historical perspective that has been shown to be true over time.

Do you agree with that? And if so——

Mr. Chimerine. I agree with that, but I do not think that gets at the main issue. The main issue, in my judgment, is that when you measure it properly against all currencies, the dollar has declined on a trade-weighted average by less than 10 percent.

We read about the——

Mr. Brooks. Less than what?

Mr. Chimerine. Excuse me?

Mr. Brooks. Less than 10 percent?

Mr. Chimerine. Yes. Because again, there are a lot of countries that we trade extensively with where the dollar has not declined. Second, some of that decline has not shown up in import prices for reasons I have mentioned earlier. And what is relevant is relative prices, not the decline in the dollar.

Mr. Saxton. I appreciate what you are saying, but I think if you project what you are saying into the future, at some point down the road, as has been shown to be true in history as well, that it will make a difference in our trade deficit and it will make a difference in our economy given the assumption that the dollar will continue to decline.

Mr. Chimerine. It will make some difference. But as I said a moment ago, I still believe that because of the limited decline in the dollar and the other things we have talked about, even when you take those lags into effect, the turnaround in the trade deficit—when it begins—will be very, very slow and gradual.

But I agree with your point. I think the trade deficit will improve, particularly in 1987. It will help the economy. But again, I think the impact will be fairly modest.

Let me, very briefly, make one comment about the stock market and then I am going to have to speed up the pace, because I will try to conclude within a few minutes.

A lot of people use the market as an indicator of future economic growth, and I may be completely wrong, but in my judgment, the recent performance of the stock market represents one of those periods in our history when the performance of the economy and the stock market are at odds.

In my judgment, the stock market has done very well in part because the economy has been very weak, because the weak economy has brought interest rates down and because much of the liquidity that the Fed is pumping into the economy is going into financial assets. Many companies do not have viable alternative investments. As a result, they would rather buy up their own stock or somebody else's than build a new factory when they have all this excess capacity.

So I do not think you can conclude that because the stock market is strong that the economy has been strong or is about to strengthen. If anything, the relationship has recently been inverse.

Where do we go from here? Well, I do not have to go through the same arguments I just made. I think you can add to the points I have just made the extremely weak outlook for capital spending: Most companies are cutting their spending plan because of overcapacity, because of soft markets, because of soft profits, high real interest rates, cutbacks in the energy sector and so forth. Outside of single family housing, construction is beginning to decline very rapidly in most parts of the United States and will continue to decline because of overbuilding.

Government spending cutbacks, both at the Federal, State, and municipal levels, will hold back economic growth for a while. Tax reform is probably a small negative. It is creating uncertainty in the short term. Wages and salaries are not growing rapidly and consumers have high debt and low savings. This will slow the growth in consumer spending.

What I am saying is that, in the absence of any turnaround in trade, there is no chance of any acceleration in economic growth. At best, we will stay in this sort of a 2-percent growth environment we are now in and, as I mentioned earlier, I think we will see a small improvement in trade and that might take us from a 1½- to 2-percent growth plateau or range to maybe 2½ percent.

For the next 18 months, the best that I can see for economic growth in the United States is somewhere in the 2½-percent per year range. And I think the risks are predominantly on the down side. It may take longer to get the turnaround in trade. Tax reform may have more of a short-term negative effect on the economy, consumers may retrench, particularly if unemployment starts edging up. All of these could cause slower growth.

I have a hard time finding any arguments that would suggest much faster economic growth during the next 18 months. So I forecast slow growth, at best, with very sizable downward risks.

Let me, very briefly, talk about the implications for the deficit and then what I would suggest you do about Gramm-Rudman, using the most polite language I can find.

I think there is no argument any more that the deficit in the current year will be probably around $215 billion. They may actually revise the deficit, after the fact, because if the investment tax credit is repealed as part of tax reform, retroactively, there will be added corporate tax liabilities this year.

The key question, of course, that you are interested in is fiscal 1987. And I will arrive at a number in pieces, and let me very quickly take you through it. If you take the 2½-percent economic growth that I expect, and build in no budget cuts or tax changes, including assuming revenue neutral tax reform in the first year—the deficit would be close to $200 billion again next year.

If you then add in the recent congressional budget resolution, which allegedly cuts $30 billion in spending next year—calculated properly, it is more like $20 billion—you would get down to $180 billion. And then I would add in an understatement on agricultural programs, spending, and a few other adjustments.

I think right now my best estimate of the expected deficit for the next fiscal year is somewhere in the $185 to $190 billion range, even factoring in what was done in the most recent budget resolution.

Now it seems to me that if we tried to achieve the current Gramm-Rudman-Hollings target for fiscal year 1987, which is $144 billion, we would need upward of $40 billion worth of spending cuts or tax increases. That would be an unmitigated disaster for the short-term economic outlook.

In fact, the problem goes back to one of the major flaws in Gramm-Rudman, which I think you pointed out, Mr. Chairman, and several of us pointed out a year or two ago. Namely, the biggest mistake that can be made is to make additional budget cuts to offset the increased budget deficit that results from less than desired or less than forecast economic growth. That completely reverses the process of the automatic stabilizers that we built into our budget structure, which have served this country very, very well during the past 40 years.

It would be an utter mistake to make additional cuts of that magnitude, which suggests to me that you really have three or four choices. First, repeal Gramm-Rudman. Second, ignore it. Third, raise the target to something more realistic. In the current circumstance with very slow economic growth at best taking place, and with the risk of recession, the most you would want to cut the deficit next year to would be in the $180 to $185 billion range. So you could raise the target to that level.

Or fourth, if none of those three happen—even though I do not like to see this kind of deception being employed—I would, if the law stays on the books with the current target, I would strongly suggest using an extremely optimistic economic forecast for next year, maybe 4 percent or even more, so that your projected deficit would be much lower than what I am suggesting and closer to the target.

If the economy falls short of that and if the deficit turns out to be bigger, you will have to live with that because any attempt to offset that would probably produce a recession in the near term. Of course, that would create a problem for you in 1988, if you do not modify that Gramm-Rudman target, but that gets back to my earlier point about dramatically changing Gramm-Rudman or repealing it.

But my main point, Mr. Chairman, is that it would be a serious mistake, to implement the total of 50 or 60 billion dollars' worth of legitimate spending cuts or tax increases necessary to achieve the Gramm-Rudman target for 1987. This would probably turn what now appears to be slow economic growth and a very soft economy into an outright recession.

Thank you.

[Mr. Chimerine's prepared statement follows:]

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Statement By

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Presented to

Subcommittee on Legislation & National Security
of the
Committee on Government Operations
U.S. House of Representatives
Washington, D.C.

July 23, 1986

My name is Lawrence Chimerine and I am the Chairman and Chief Economist of Chase Econometrics. I appreciate the opportunity to testify before the Legislation and National Security Congressional Subcommittee on the current state of the economy, expected Federal deficits, and how the provisions of the Gramm-Rudman-Hollings legislation will interact with the United States economy.

Summary

In sum, my views are as follows: **(a)** The slow and erratic economic growth that began in mid-1984 is continuing — if anything, the economy has actually deteriorated somewhat in recent months. Most significantly, there is no sign whatsoever of any acceleration in economic activity. **(b)** The economy has remained relatively weak despite optimistic forecasts because the stimulative impact of lower oil prices, declines in interest rates, and the weaker dollar have been less in magnitude, and later in coming, than many had expected, and because many other underlying forces are somewhat unfavorable. **(c)** At best, only a modest pickup in economic activity can be expected later this year. Furthermore, the risks are predominantly on the down side -- either the absence of any turnaround in trade and/or some retrenchment in consumer spending would prevent any pickup at all, and could actually lead to a mild recession. **(d)** The outlook for 1987 is clouded with uncertainties related to tax reform and deficit reduction. The most likely outcome is a continuation of very modest economic growth at best, with the risks continuing to be predominantly on the down side. Again, even modest growth will require a substantial improvement in the trade deficit. **(e)** The Federal budget deficit outlook remains poor — I expect the deficit to be close to $220 billion in the current year, and approximately $190 billion in FY87, unless additional spending cuts and/or tax increases are adopted. **(f)** The options currently available to policymakers are limited as a result of the relative ineffectiveness of monetary policy at this point in the business cycle, and by the need to reduce enormous budget deficits for long-term economic stability. I would suggest, however, a far more gradual approach to reducing the deficit than implied by the current Gramm-Rudman-Hollings (GRH) targets, a further easing in monetary policy, and adoption of a tax reform package that would be less unfavorable for the short term.

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Current Economic Situation

The recovery which began near the end of 1982 is now more than three and one-half years old — this makes this recovery period one of the longest on record. However, the health of the economy has nonetheless been overstated because of a lack of understanding of many aspects of the recent economic situation. These include the following:

1. There have been two very distinctly different parts of the recovery period. The first eighteen months (or all of the 1983 and the first half of 1984) was characterized by extremely rapid growth (over 7% at an annual rate as measured by real GNP). However, the two year period since that time has witnessed a dramatic deceleration in the rate of growth to an extremely sluggish 2% rate—this is well below the historical average, so that only marginal additional progress at best has been made toward completing the recovery process. This is best illustrated by the fact that unemployment, capacity utilization and other measures of economic performance have shown no additional improvement since mid-1984. And, because of the dramatic slowdown since mid-1984, growth during this recovery in total is now below the rate experienced in most other postwar recovery periods.

2. This period of extremely slow growth has taken place even though the **level** of economic conditions has not been satisfactory. This reflects the fact that the 1981-82 recession followed closely on the heels of a previous recession, so that economic conditions were extremely depressed when this recovery period began. Therefore, virtually all measures of economic performance are still unacceptable. For example, the 7% unemployment rate that has prevailed during the last two years is obviously a significant improvement compared to the near 11% rate of late 1982, but it is still much higher than at anytime in the postwar period prior to the 1980s with the exception of a few months during the 1974-75 recession.

3. The performance of the economy during the past several years has been highly uneven, with many sectors still mired in recessionary conditions. This has created major industry and geographic differences which are causing severe hardships in many areas.

In sum, the performance of the economy in recent years, at least with respect to real economic growth, has been vastly overstated — the recovery in total has not been particularly strong and is far from complete; we have experienced only marginal additional progress in completing the recovery process during the past two years; and the economy is still operating at highly unsatisfactory levels by historical standards.

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Despite numerous forecasts that a major pickup was likely during 1986, based on declines in interest rates, the dollar and oil prices, as well as low inventory/sales ratios and other apparently favorable factors, the economy remains mired in this process of slow and erratic growth referred to above. If anything, the economy appears to have completely stagnated in recent months, even though it now appears that economic growth (as measured by GNP) was still close to 2% in the first half. **First**, GNP during the first half has been bolstered by strong growth in real consumption expenditures, which may actually be overstating the strength in consumer spending. This reflects: **(a)** a weaker pattern for chain store sales than has been indicated by the retail sales reports, **(b)** a temporary spurt in auto sales due to the latest round of low interest rate financing, **(c)** a sharp increase in expenditures for brokerage commissions and other financial transactions which are more related to saving and investment than to ongoing consumer spending, and **(d)** the likelihood that recent price indexes are understating inflation and thus exaggerating real expenditures. Furthermore, gains in wages and salaries have decelerated further from the already sluggish rate during most of 1985 — this implies that once the favorable effects of lower oil and food prices have passed, real wages will flatten out again. The dramatic slowdown in income growth, especially wages and salaries, is perhaps the most significant development that has taken place in recent years. It reflects not only continued downward pressure on wages in many industries, but a significant shift in the job mix away from high-paying, high-productivity occupations and industries into those with significantly lower wages. This is critical because, in the longer run, income growth is by far the most important determinant of consumer spending and thus living standards. And, unless the recent spending data are revised downward, it appears that most of the added purchasing power from lower oil prices has already been spent because the saving rate is now only slightly above where it was at the start of the year. Consumer spending is also likely to be held down by the reluctance of consumers to increase their already high debt burdens further despite lower interest rates — higher delinquency rates may also cause credit grantors to be more cautious in extending credit to consumers. **Second**, the GNP data are inconsistent with other economic data (especially industrial production) which indicate a much more sluggish picture. This is reinforced by still declining commodity prices, by the weakness in wage income and profits, and by weak loan demand. **Third**, orders remained very weak in June, and reports from the field indicate little or no improvement thus far in July. The weakness is relatively widespread, with only appliances and commercial aircraft having experienced any meaningful increases — backlogs are thus still relatively low in most industries.

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The sluggishness has continued despite numerous forecasts that a major acceleration would take place during 1986 because of declines in interest rates, the dollar, and oil prices, and other apparently favorable factors. However, the economy has not picked up for the following reasons:

1. The sharp decline in interest rates that has occurred since late 1984 has had only a small stimulative effect on the economy thus far, since real interest rates were extraordinarily high when these declines began (so that the early portion of the decline had little effect on economic activity). Thus, in effect, rate declines were necessary just to keep the economy in the same place, and in great part have been caused by the weak economy. The only noticeable effect of the decline in rates thus far has been on the housing industry -- real interest rates for industrial companies are still so high that there has been virtually no impact of recent declines in nominal rates on capital spending plans or on inventory policies. The impact of declining interest rates is also being limited by the age of the recovery, the winding down of previously available pent-up demands, and already high debt burdens, which have reduced the willingness of both corporations and households to incur additional debt. Thus, the Fed is in great part pushing on a string.

2. The economy has not yet experienced any significant benefits from the sharp decline in the value of the dollar. **First,** the decline which took place during 1985 had little or no effect on U.S. competitiveness in world markets, since it primarily squeezed what had been enormous profit margins of foreign companies selling in U.S. markets. Only in the last few months have prices of imported products begun to rise -- as is well known, it will take many months before these price changes begin to affect real trade flows. While these prices increases will eventually slow import penetration somewhat, the impact will be limited by the fact that many imported goods have no domestically produced counterparts, by the perception that some have higher quality than comparable domestically produced products, and by the increased familiarity of American citizens with foreign produced goods. **Second,** recent increases in imports, and softness in exports, to some extent reflect the impact of earlier oursourcing decisions as many new overseas plants become fully operational. **Third,** the U.S. trade deficit with Canada, Latin America and the developing countries in the Far East, continues to grow, in part because of weak economic conditions and debt problems in some of those countries, and in part because the currencies of most of those countries have not appreciated relative to the U.S. dollar. **Fourth,** the sharp decline in the price of oil has caused cutbacks in U.S. oil production -- this is already beginning to lead to increases in the volume of imported oil. Furthermore, most OPEC

countries and other major oil exporters are beginning to slow their imports from the United States and other countries because of the impact of declining oil prices on their already poor current account positions. Finally, domestic demand is still weak in much of Europe and Japan.

3. The stimulative impact of lower oil prices on the economy will be modest, at best. In great part, this reflects the fact that the United States is a large prodcuer of oil (we produce about 70% of our own needs), so that the main benefit to the United States economy of declining oil prices comes from a decline in the price of imported oil. However, oil imports relative to GNP have fallen sharply since the early 1970s (by more than 50%), reflecting the fact that we consume far less energy relative to the size of the economy than we did then, that oil now constitutes a smaller fraction of our total energy consumption than at that time, and that we produce a larger fraction of our internal needs ourselves. The negative effects of lower domestic oil prices on profits in the oil industry is already causing sharp cutbacks in employment, and in exploration and other investment (by $12 - $15 billion). These represent very sizable offsets to the gains to consumers, and profits to oil users, that will result from lower domestic oil prices. Furthermore, because of already large current account deficits, most OPEC countries will reduce their imports of military and manufactured goods from the United States and other countries, which will offset part of the favorable effects of the lower cost of imported oil (as mentioned earlier).

4. In my view, the stock market boom in late 1985 and early 1986 does not reflect either current or expected economic strength — in fact, the rise in stock prices is more accurately a sign of weakness, since it largely reflects the sharp decline in interest rates, which in turn is a direct result of the sluggish economy. In effect, what has happened is that the substantial increase in liquidity that has been pumped into the economy by the Federal Reserve has gone into financial assets rather than fixed assets, reflecting the lack of viable fixed investments due in part to overcapacity, overbuilding, etc. Thus, many companies have found it more attractive to buy up their own stock, or someone elses, rather than making investments in plant and equipment. Furthermore, the sharp increase in the value of financial assets held by consumers is also vastly overrated as an economic stimulant, since: (a) ownership of financial assets is concentrated among relatively high income families with a relatively low marginal propensity to consume; (b) most individuals cannot gain access to these funds because they are tied up in pension accounts; and (c) many of those who have experienced capital gains have rolled them over rather than used them to finance consumption. In addition, household debt has risen dramatically during this period, with a far more widespread distribution across the population.

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5. Many forecasters had predicted an inventory-led acceleration in economic growth in 1986, reflecting the relatively low inventory/sales ratios which prevailed at the end of 1985. However, inventory/sales ratios have not been low because goods have been jumping off the shelves — they have been deliberately reduced by manufacturers and retailers because of: **(a)** extremely high real interest rates; **(b)** large excess capacity; **(c)** relatively short lead times; **(d)** the still declining prices of many finished goods and commodities, and the uncertain price outlook; **(e)** the uncertain sales outlook; and **(f)** weakness in profits. The downsizing of desired inventory levels has in fact continued during 1986, so that at best, inventories are a neutral to somewhat negative factor in the economic situation.

6. Some forecasters also predicted a surge in the economy as a result of sharp increases in the basic money supply during the last 18 months. However, there is currently almost no relationship between M1 and economic activity, reflecting: **(a)** continued increases in import penetration, which increases the demand for credit and the money supply without increasing domestic output; **(b)** declining interest rates, which have reduced the opportunity costs of holding interest free or low interest deposits; and **(c)** concerns regarding the safety of deposits at various thrifts and other financial institutions, which has caused a shift of savings into M1 types of deposits.

The current economic situation can be summarized as follows: most of manufacturing is experiencing mild recessionary conditions, agriculture and energy are experiencing more severe recessionary conditions, and the housing and financial sectors appear relatively strong. And there is little or no meaningful evidence that any pickup in overall activity is on the horizon.

Major Forecast Assumptions

The outlook for the remainder of this year and 1987 will be affected by a number of key policy and other assumptions:

1. **Deficit Reduction:** The deficit outlook remains very uncertain. The "status quo" deficit outlook is not as favorable as earlier government reports suggested, reflecting the still high cost of farm programs, the likelihood that defense spending will exceed current targets unless appropriations are cut back further, the fact that tax revenues are lagging behind expectations because of weaker-than-expected economic growth, and because the decline in oil prices is actually worsening the deficit somewhat. The Congressional budget resolution for 1987 also substantially understates the likely deficit for these reasons. I assume that about $25

billion of spending cuts (mostly in defense programs) will be adopted. The alternatives of much larger budget actions (either through the budget process or through automatic spending cuts), or even smaller cuts, still cannot be ruled out, however — either would have a significantly different impact on economic activity in 1987. (The budget situation will be discussed further below.)

2. Tax Reform: While the impact of tax reform on the economy will depend on the provisions of the final bill, including the specific tax code changes, tax rates, effective dates and grandfathering provisions, it seems quite clear that tax reform could significantly depress the economy in the short run. This reflects the following: **(a)** It will likely change the tax structure very dramatically — many corporations (and individuals) would find a very sharp change in their tax liabilities and/or, in the demand for their products. This is likely to cause some caution in making many new commitments, although some may be accelerated (i.e., taking of capital gains) to beat unfavorable changes in the tax code. **(b)** The bill will probably raise taxes in the short term, primarily because many of the base-broadening changes would become effective January 1, 1987 (with some, such as the elimination of the investment tax credit, retroactive to sometime in 1986), while the rate reductions could become effective on July 1, 1987. **(c)** The changes will dramatically weaken the tax advantages for many types of construction, as well as the incentives for investment. Since these sectors of the economy are already quite weak, changing the tax provisions so sharply will cause new activity in those sectors to decline even further. **(d)** The "winners" in the business sector (i.e., those which benefit from the reduction in corporate tax rates) are generally less capital intensive than the likely "losers" — it will probably take longer for them to implement new programs than for those who are hurt to cut back (this is similar to the timing problems now being experienced as a result of oil price declines).

The economic impact of tax reform will also depend on whether it is effectively coordinated with deficit reduction — I am assuming that the increase in revenues in 1987 which could result from tax reform will be used to help reduce the budget deficit. If in fact the tax reform bill does raise taxes significantly in 1987 on top of other tax increases and spending cuts which are designed to achieve the GRH deficit target, the combined effect would be an extremely restrictive fiscal policy that could dramatically weaken the economy in late 1986 and/or 1987.

3. Interest Rates: I believe that rates will move lower during the rest of the year, with the Fed adopting at least one more easing move as the economic statistics stay soft during the remainder of the summer.

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4. **Oil Prices:** Spot crude oil prices have moved up significantly during the last several days due to: **(a)** a small pickup in demand, reflecting fuel substitution and higher gasoline consumption; **(b)** continued declines in oil inventories; and **(c)** cutbacks in production in the United States and some other countries. While crude prices are likely to remain extremely volatile, I believe that oil prices will eventually stabilize in the mid- to upper teens — this expectation is in part based on the assumption that a production sharing agreement will be reached among the OPEC countries — so that most of the effect of lower oil prices on refined product prices, real incomes, etc., has already taken place.

The Outlook for the Second Half of 1986 & 1987

The factors discussed earlier will continue to hold down economic growth during the second half of this year, as will the following:

1. Capital spending will not contribute significantly to economic growth — this is indicated by recent plant and equipment surveys, appropriation rates, orders, etc. The sluggishness in capital spending reflects: **(a)** unusually low capacity utilization rates at this stage of the economic expansion, so that there is very little capacity-oriented spending taking place; **(b)** the downward trend which is now developing in construction of office buildings, hotels, and other commercial structures, reflecting high and rising vacancy rates; **(c)** continued cutbacks in exploration and other capital expenditures by the energy industry; **(d)** little or no growth in orders and sales; and **(e)** the uncertainties being created by tax reform which is slowing the commitment process. In addition, still high real interest rates for industrial companies and weak profits and cash flow have kept the financial environment for capital spending somewhat unfavorable.

2. The housing boom is now peaking. Single-family housing starts are likely to edge down during the remainder of the year, since mortgage rates have at least temporarily bottomed out (and have actually risen somewhat in response to strong demand for refinancing); the demographics are becoming less favorable; housing prices are rising more sharply, undermining affordability somewhat; the bubble created earlier as many families jumped into the market is subsiding; and income growth is sluggish. Multifamily housing starts will likely drop off even more sharply, reflecting less availability of tax-exempt financing; extremely high vacancy rates (especially in the condominium market); and the impact of tax reform. Thus, at least the direct contribution of housing construction to GNP growth will taper off after the next several months.

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3. Government spending will grow very slowly at best. Cutbacks at the Federal level, resulting from deficit-reduction programs, and at many state and municipal governments, in response to tighter budget conditions, will hold growth in total government expenditures in real terms to less than a 2.0% annual rate during the rest of this year.

Thus, the cutbacks that are now developing in commercial construction, continued weak capital spending, and slower growth in consumer spending in response to anemic income growth, low savings and high debt burdens, will hold down domestic final demand. Furthermore, as mentioned earlier, it is unlikely that any inventory building will take place. Thus, it is now clear that even a modest pickup in economic growth during the remainder of this year will require an improvement in the trade deficit, both to directly stimulate production as well as to help speed up income gains. While a sustainable decline has not yet begun, increasing reports of rising export orders, continued delays in new outsourcing and foreign investment plans by U.S. companies, and increases in the prices of many imported goods in recent months, continue to suggest that some improvement will in fact occur later this year. The turnaround in the deficit will be very gradual, however, in view of still extremely sluggish domestic demand in Japan and most European countries; the still highly overvalued dollar relative to the currencies of most LDCs; likely increases in the volume of imported oil; and lower exports to many oil producing countries.

On balance, therefore, while I believe that the second half of the year will be somewhat stronger than the first half, reflecting an improvement in the trade deficit, the pickup will not begin until late summer. It should be noted that even with an improvement in the trade deficit, economic growth during the second half will only be in the 2.5% to 3.0% range, still unacceptably low in view of the large amount of idle resources throughout the economy. Furthermore, most of the risks appear to be on the downside — these include the possibility that the trade deficit will remain at current or even higher levels in real terms; that consumers begin to retrench in view of the low savings and high debt burdens that currently prevail; and that the anticipated effects of tax reform are greater than now expected.

The outlook for the economy in 1987 will be primarily determined by the following:

1. The lagged effects of changes in exchange rates will have an increasingly favorable effect on the trade deficit as we move through 1987. Thus, trade will make a significant contribution to economic growth on an annual basis for the first time since the early 1980s.

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2. Declines in **real** interest rates which will take place during the second half of this year will have at least a modestly favorable effect on investment during 1987. These declines will result from an assumed additional round of Fed easing later this summer (including an expected reduction in the discount rate), as well as the modest acceleration in inflation we expect.

These factors will, however, be at least partially offset by the negative short-term effects of tax reform and deficit reduction (as discussed earlier). Thus, economic growth is likely to continue in the 2.5% range, although the outlook will remain somewhat uncertain until fiscal policy issues are resolved. I view the risks again to be predominantly on the downside in 1987, so even slower growth is a distinct possibility.

Table I summarizes my forecast for the key economic indicators for this period:

Table I
Forecast Summary Table
(percent change)

	1983	1984	1985	1986	1987
Real GNP	-2.5	6.5	2.2	2.1	2.4
Industrial Production	5.9	11.6	2.2	0.4	3.0
Real Consumption	4.6	4.4	3.3	3.3	2.7
Real Fixed Investment	-1.8	19.5	9.7	-1.0	0.0
Consumer Price Index	3.2	4.3	3.5	2.0	3.5
GNP Deflator	3.7	4.2	3.3	2.5	3.2
Pre-Tax Profits	20.9	15.9	-5.2	0.0	12.2
Unemployment Rate (%)	9.6	7.5	7.2	7.1	7.1
Prime Rate (%)	10.8	12.0	9.9	8.2	8.0
Auto Sales (million)	9.2	10.4	11.1	10.8	10.7
Housing Starts (mil.)	1.7	1.77	1.74	1.87	1.68

It should be noted that the quarterly GNP pattern is likely to be extremely volatile during the rest of this year and 1987, reflecting erratic movements in the trade deficit;

the precise timing of auto production cutbacks and incentive programs; the anticipatory and actual impacts of tax reform; the timing of budget cuts and/or tax increases; and the impact of possible revisions to earlier data. However, while GNP and/or other indicators may rise sharply in any one quarter, a sustained economic boom during the remainder of 1986 and 1987 is extremely unlikely, as discussed earlier. At best, very modest growth on average will take place, with a number of downward risks that could keep the economy even more sluggish — as mentioned earlier, these include the possibility that the turnaround in trade will be weaker (and/or, come later) than now expected, that budget cuts and/or tax reform will be even more restrictive in the short term, or that consumers will attempt to rebuild savings (and cut debt) more quickly.

Why Such Slow Growth?

In my judgment, the extremely slow growth of the last two years, and that still to come, reflects the policy errors of recent years, primarily budget policies. These have been responsible for the high real interest rates, overvalued dollar, and imbalances and distortions which have caused the dramatic slowdown in economic growth. In fact, despite the sharp decline in nominal interest rates in recent years, real interest rates remain extremely high (especially in relation to the industrial deflation that has taken place); furthermore, virtually all of the decline in rates has occurred during periods of subpar growth. Because of the enormous Federal deficits, which are causing sharp increases in the Federal Debt/GNP ratio, interest rates have actually risen each time the economy has picked up during this period. In addition, the overvalued dollar directly reflects the upward pressure of budget deficits on U.S. interest rates. In effect, budget deficits have produced large trade deficits because of the need to attract foreign capital in order to help finance them. Furthermore, as pointed out earlier, the impact of declines in the dollar which are now taking place will not be as dramatic as the impact of the rise in the dollar in earlier years because of the asymetrical relationships already discussed, and because the long period during which the dollar was overvalued produced numerous decisions (including shifting of production overseas by many companies) which may never be reversed. The recovery in the last several years has also in great part been financed by an explosion in debt in all sectors of the economy, and has benefitted from the commercial construction boom — these factors are unsustainable, and thus not only cannot continue to perpetuate economic growth, but are now contributing to the slowdown in the economy. Finally, the enormous imbalances in the system are not conducive to strong economic growth because the extreme weakness in some sectors (such as manufacturing and agriculture) are now dragging down other sectors of the economy, and as discussed earlier, are causing a dramatic slowdown in income growth.

The Deficit Outlook and GRH

The Federal budget deficit continues to worsen despite some apparently favorable developments — higher-than-projected defense and agricultural spending, along with weaker-than-expected revenues due to slow economic growth, are primarily responsible. Thus, even with the first round of GRH cuts, the unified deficit for the current fiscal year will be in the $215 to $220 billion range. (A lower figure may be eventually reported because the retroactive elimination of the investment tax credit will generate higher corporate tax liabilities in 1986.) In my view, a realistic estimate of the FY87 deficit is now near $190 billion when the 1987 budget resolution is adjusted for continued slower-than-expected growth, and more realistic estimates of agricultural and other spending. It is thus now apparent that larger spending cuts and/or tax increases than policymakers previously expected will be necessary to achieve the GRH target for FY87. However, the GRH approach is very dangerous in the current environment, because it would cause additional spending cuts to compensate for the added deficit caused by slower economic growth — this would only slow the economy further, and in effect, would circumvent the automatic stabilizers that have served the economy so well for many years. Furthermore, many of the spending cuts in the budget resolution represent accounting changes which are likely to widen the deficit in future years. Deficits beyond FY87 will also be increased if tax reform becomes integrated into the budget process, because the likely bulge in tax revenues resulting from tax reform in FY87 will be reversed in succeeding years. Finally, it will be difficult to find additional politically and socially acceptable spending cuts in future years. Thus, sizable tax increases will almost certainly be necessary if the deficit is to be reduced further in the outer years.

Policy Suggestions

In my judgment, there is very little that economic policymakers can do to help speed the economy in the near term; this reflects the following: **(a)** As implied earlier, the Federal Reserve is essentially pushing on a string because of the already high debt burdens, excess capacity and overbuilding which characterize the economy. This limits the impact of declines in interest rates on economic growth at this point in the cycle. The Fed's flexibility has also been reduced by the explosion in money growth in recent years. **(b)** It is essential that deficits be reduced on a long-term basis, to reverse the current upward trend in the Federal Debt/GNP ratio. If that trend is not reversed, it will mean continued high real interest rates on a long-term basis and/or a continued overvalued dollar and thus poor competitiveness in world markets, and/or a pickup in inflation later in this decade — any or all of these would cause long-term economic stagnation. Furthermore, lower deficits are also necessary to slow the explosion in interest payments, which will feed on itself and produce even higher deficits in the outer years if it is not stopped. Finally, lower deficits are necessary to prevent a sharp increase in the tax burden on future generations. Thus, for all of these reasons, it would not be practical to cut taxes and/or raise spending to stimulate the economy in the short term — thus, fiscal policy must be at least somewhat restrictive in the near term.

Lawrence Chimerine

Chase Econometrics
July 23, 1986

While economic policy cannot lead to faster economic growth, it is nonetheless essential that some policy actions be taken to prevent the economy from sliding into a serious recession. These actions include the following: **(a)** I strongly recommend sizable additional reductions in interest rates — such declines should help to prevent further deterioration in capital spending and may bolster confidence somewhat, thus generating at least a small amount of added stimulus. **(b)** Because of the poor short-term deficit outlook, the target for FY87 in the GRH legislation should be raised — otherwise, at least $50 billion worth of spending cuts and/or tax increases will be necessary to achieve the target. Cuts of that magnitude would imply a tremendously restrictive fisal policy which would have a severely depressing effect on the economy in the short term. I would suggest cuts of less than one-half that amount at most. In effect, the Administration and the Congress missed a golden opportunity to cut the deficits in earlier years when the economy was growing more rapidly — a more realistic approach in the current circumstance would be to aim for deficit reduction of approximately $20 billion per year, with the aim of reducing the deficit to about $100 billion by the early 1990s. I also strongly believe that any reductions in expenditures should be accomplished by converting many current entitlement programs into means-tested programs, rather than implementing across-the-board spending cuts. In addition, some tax increases will eventually be necessary — I urge that regressive tax increases be avoided in view of the dramatic shift in the distribution of income and in the distribution of the tax burden which has already taken place in recent years. **(c)** As mentioned earlier, tax reform is already causing some commitments to be postponed, and the anticipatory and actual dampening effects of tax reform may continue to hold down economic growth later this year and in 1987. I believe that these effects could be minimized if the following were implemented: **i)** Some of the major changes, such as the elimination of the investment tax credit and the changes in tax rates, should be phased-in over several years rather than all at once. **ii)** Grandfathering of existing provisions to reduce the risk of sizable losses on currently held assets should be considered. **iii)** The effective dates should be changed so as to avoid a substantial tax increase in 1987.

Lawrence Chimerine

Chase Econometrics
July 23, 1986

Mr. **Brooks**. Thank you very much.

And now we will hear from Joe Duncan, from Dun & Bradstreet. Mr. Duncan.

STATEMENT OF JOSEPH W. DUNCAN, CORPORATE ECONOMIST AND CHIEF STATISTICIAN, THE DUN & BRADSTREET CORP.

Mr. **Duncan**. Thank you, Mr. Chairman.

I, too, am honored to be here today to talk about the extremely critical issues of our Nation's economy, as well as the important decisions that you in Congress are faced with at the moment.

I, too, would like to submit my statement for the record and will just summarize some points.

Mr. **Brooks**. Without objection, so ordered.

Mr. **Duncan**. Anytime you bring three economists before your committee, you will get three different views. I have a slightly different outlook for 1987 than Mr. Chimerine. I forecast a 4-percent growth rate for the year, a view which is significantly more optimistic.

But I do not want to talk about the difference in economic outlooks. Instead, I would like to discuss with you why economists have such different views of the economy. I'd also like to discuss what that means for the process of Gramm-Rudman-Hollings where, in fact, there are very important interactions between budget decisions, tax reform, and economic performance.

This morning's Wall Street Journal set a very nice tone for my comments in a story that evaluated the new GNP statistics released yesterday. In the last paragraph, Carl Brunner, an economist at the University of Rochester—who is quite well known in the Nation—stated, "Short-run forecasting is a dicey business. The best bet is to wait 5 years until the data have been totally revised."

There is a great amount of insight in that statement. There is also a chart—and I would hope the committee would reprint the chart in the Wall Street Journal this morning, which shows that if you go back just six quarters, our view of economic history was changed by the revisions.

[Chart was not available for printing.]

Mr. **Duncan**. Just to put it very, very simply, the fourth quarter of 1984, which was previously up relative to the surrounding quarters, is now down. The first quarter of 1985, which was previously down, is now up. The second quarter has moved from up to down, et cetera. Now my point is, for economists, budget analysts, and others the view of the trend of the economy has now been reversed. Our assumptions about an improving economy or a weakening economy would be totally different.

As a matter of fact, growth in the second quarter of 1986, which just came out, is 1.1 percent. But if you followed the historical pattern of statistical revisions, it may turn out to be a strong quarter, giving us a totally different outlook later on.

For the year 1985 as a whole, incidentally, the growth was elevated to 2.7 percent annual growth in real terms from 2.2. The number in my testimony is 2.2 because I did not have the revised historical record, which illustrates part of the background.

But I would like to go one step further. The reasons there are revisions in economic statistics, of course, is that Government gets much more information over time. But in addition to that, I would submit that we are not fully measuring some of the things that are happening in our economic system.

At Dun & Bradstreet, we collect a variety of statistics from business. I have noted several of them in my testimony. Let me just highlight one of them.

We do a survey every quarter among businessmen which asks them what their sense of the economy is. Do they expect their own particular business to have, for example, higher sales next quarter than they had a year ago? If you trace the expectations of businessmen with the business cycle, it is basically a very good coincident indicator. It explains the tone of the economy quite well and, in fact, is therefore useful in looking at the immediate outlook.

Our current survey of expectations says businessmen remain very optimistic. They are nearly as optimistic as they were last year, although not quite as optimistic as they were at the beginning of the recovery from the recession.

But there is also another story in those statistics. If you look at the sweep of the data from 1960 to present, you will find that today is duplicated in only one other period, and that was 1967. What is happening is business expectations are remaining high, but actual business performance—also as reported by the people in the same surveys—is falling behind those expectations.

So there is an unsettled feeling among businessmen about the future, as they watch their order books which are not growing as much as they had hoped that they might.

[See chart in prepared statement.]

Mr. DUNCAN. I want to come back to why that is happening later.

A second area of statistics that I would like to draw your attention to is not from Dun & Bradstreet. It is from the University of Michigan. And these statistics relate to the optimism level of the average consumer.

As I am sure you know, consumer optimism today is near all time high levels. It has been fluctuating on a month-to-month basis, but it is really the highest it has been at this point in a business cycle in the history of that survey. So we have then two optimistic groups. Basically businessmen are fairly optimistic, when you look at them broadly, and the consumers are optimistic. And yet we find many economists and others more pessimistic.

My suggestion is that part of that—if we come to the businessmen—can be explained. Much of our economic data are based on big business, as opposed to smaller business. Our data at Dun & Bradstreet look at the smaller businesses. I am sure you are aware, Mr. Chairman, that in the last couple of years three-quarters of new jobs have been generated by companies with fewer than 500 employees in total.

Mr. BROOKS. Fewer than how many?

Mr. DUNCAN. Fewer than 500. Our survey for 1986 suggests that one-third of the new jobs that will be created this year will be in companies whose total employment is less than 20.

Many surveys—for example, the Census Bureau Survey of New Orders and Shipments—do not collect data from companies with fewer than 100 employees. So some of our Nation's economic statistics are not looking at where the current source of growth is in our economy.

We also look at new business starts and new incorporations. They are up dramatically this year, saying that businessmen are optimistic at the small scale, because they are starting new companies and starting new enterprises. They are hiring people and creating income for those employees.

Over the last 12 months, we have added 3 million new jobs in the economy. That is not an indicator of a weak or soft economy, although our GNP in that period has been very soft.

What I would like to talk about is why are we having such a difficult time understanding the economic outlook and what that means for Gramm-Rudman-Hollings, which requires very specific forecasts, both of the economy as well as of the deficit. There are a lot of issues and I am only going to highlight four of them very, very quickly.

Today we are in, from the U.S. point of view, a very open or world economy. Our economic outlook is very much influenced, for example, by growth in other countries and their impact on both exports and imports. Part of the recovery in our net exports, that was expected for this year, was predicated on the basis that our exports would pick up as the rest of the world accelerated its economic growth. That has not happened. Export growth has been consequently weak.

Second, the flow and development now of the world financial market ties our monetary system very much to other nations and loosens our control over total market exchange rates. And therefore what we do with our money supply may not have quite the impact it used to, in a more closed economic system, especially when other countries are using our currency locally because they do not trust their own. The number of dollars, in physical terms, in circulation in other countries I think is grossly misstated.

Along with the fact that our economy is now tied to the world economy in a much more intimate way, there are indeed major structural shifts. Most of our statistics, for economic purposes, are focused on manufacturing activities, with some agriculture, construction and mining thrown in.

But our economy is increasingly focused, particularly in terms of jobs, on services. And in fact, the Department of Commerce recently explained some revisions on the grounds it misestimated the spending on services in earlier quarters. Of course, service companies are primarily small firms.

Third, at the world economy level—which, of course, affects the United States—this is an era of rapid communications. Developments are translated throughout the world much more quickly. Problems in one area, elections in one country, begin to get interpreted by these world financial markets. And the lags that we are so used to, in economic systems, are quite different.

And then finally, I would suggest that, as economists, we are probably faced with very much outdated theory, unable to understand, for example, the role of the services economy as a multiplier in the economic system. This makes all of the models suspect. And while we all have numbers today, those numbers are a byproduct of our assumptions.

Now let me focus on Gramm-Rudman-Hollings. Gramm-Rudman-Hollings requires several specific forecasts of the deficit and of course there are certain trigger points in terms of whether the deficit will be within the targets in the bill. What I would like to suggest to you today is that the art of forecasting is so weak that we have built a decision process on a very soft basis.

Let me illustrate in terms of my own forecast. For me to make a forecast to get to 4 percent, I have to make assumptions about what you and the Congress will do. I have assumed that you will go a step or two beyond what Mr. Chimerine proposed, probably cut defense spending more than is in the current statement, and the President will perhaps be required to go along with that. Since there are long lags in defense procurement, it will not have an immediate impact on strategic strength.

In fact, by the time we get to the end of this process for the current round of decisionmaking, which is in October prior to the elections, the congressional plans will say that the $144 billion target will be met. So, in my own forecast, I've assumed that.

But then I have made a second assumption that the economy, as measured today, looks soft to the tax reform people—who are disassociated, of course, from the budget people in the current process because they are supposed to be revenue neutral. And it is the tax reform people who will decide, in their wisdom, to make everything effective January 1 so that the stimulus aspects will be available as soon as possible.

Now when I run my model—and please understand I do not trust models—but nevertheless, when I run my model as though I were making the decisions for Gramm-Rudman-Hollings, that takes my $144 billion deficit target back up to about $168 billion because there are some revenue losses by delaying the benefits until July 1.

Now once again, the committees are supposed to work that all out and there may be, in fact, a paper solution. But let me now bring up what I think is the most important aspect. My sense of why the economy has slowed is that because of rapid communications, business people and consumers do indeed pay attention to what is happening in Washington.

I know there are many skeptics about that, but the point is we have moved—in the last 6 months—from an arena in which most citizens and most businessmen felt tax reform was going nowhere. They thought the President rescued a bill in the House for procedural purposes, but because the Senate proposal was so different, there would be gridlock and consequently no real action in the current year.

Today's headlines and rhetoric lead to a totally different view. People now perceive that there will be tax reform, although they do not know what it will be.

Now what is the impact on decisionmaking? The impact on decisionmaking is that people say I will defer my decision until I know what the ground rules are.

So I submit that part of the sluggish outlook for capital spending is attributable to uncertainty about what the rules will be for evaluating those investments. And even consumers are cautious before they make long-term commitments, other than housing, because they are not sure what their situation will be.

If you believe this interpretation of what is going on, let me put it in first-quarter 1987 terms. Assuming we have a January 1 effective date for tax reform, the question psychologically becomes how will people respond to the new bill? Now, I can build for you two scenarios. One is that, because the details of the bill will be known early, people will loosen their pocketbooks in the first quarter of the year and that we will have a capital-spending boom.

But I can also make another assumption, which is that the sharpies that analyze these bills will find new ways to shift spending from areas that are protected today into areas that will be relatively protected under the new law. And that, as a consequence, there will be less investment or spending in areas that will be more heavily taxed. And therefore, the revenue estimates made, in writing the bill, will be wrong because behavior will have changed very quickly.

Both of those are plausible assumptions. I am not sure which one is right and I do not think anybody would know the answer to that either. But my point is that when you address Gramm-Rudman-Hollings and make assumptions—(a), about the Federal deficit; and then (b), about tax reform—those assumptions will be out of date within 6 months and the behavior will be different.

And that is the difficulty that I think you face in procedural terms.

I happen to be a supporter of Gramm-Rudman-Hollings in a very peculiar sort of way. As a citizen, I have been very struck by the fact that every budget submitted under the Budget Reform Act of 1974, until 1985, regardless of administration party, as well as every CBO forecast, said we will grow our way out of this year's pending deficit.

Mr. BROOKS. What was the cutoff date you used?

Mr. DUNCAN. The first 5-year forecast that did not show us growing out of the deficit was the 1985 budget. In 1985, as you recall, both the administration and the Congress—the Congressional Budget Office—saw soaring budget deficits. In fact, CBO as you may recall, saw the deficit growing to over $300 billion.

That was the background for Gramm-Rudman-Hollings. People had not been able to make decisions in the congressional committees to actually make the cuts or tax increases as required. And consequently we have deluded ourselves for much of a decade.

I think there is some benefit to having the pressure of Gramm-Rudman-Hollings, but my preference would be to leave that pressure on you and the Congress for a year or two and then to repeal it, because I do not think it is realistic, as you move out beyond fiscal 1988.

I would submit, however, that whatever is done about fiscal 1987 will prove wrong because (a), the data which we make our decisions on are quite weak; and (b), because we cannot really forecast the response of both the business and the consumer; and (c), because the world conditions are beyond our control.

I look forward to a discussion of these points with you, Mr. Chairman. Thank you.

[Mr. Duncan's prepared statement follows:]

The Economic Outlook and Gramm-Rudman-Hollings

Prepared for the
House Government Operations Committee
July 23, 1986

Presented by Joseph W. Duncan
Chief Economist, The Dun & Bradstreet Corp.

Introduction

Mr. Chairman, Committee members, and fellow participants, I am honored to have been invited to testify on the important issues of the general condition of the national economy and the relationship between the economic outlook and critical Congressional actions on fiscal policy.

The subject of these hearings is very complex. The economic outlook will be determined, in part, by decisions made by the Congress in the next few months--decisions about tax reform, federal spending, and general tax policy. Equally important, the pattern of economic activity will determine the level of tax revenues, the needs for certain expenditures, and the triggers for actions required by Gramm-Rudman-Hollings. I would like to point out that the economic outlook which I am presenting to you today is based on a set of assumptions regarding future Congressional actions. A significant deviation from the assumed actions discussed here would, of course, have an impact on the economic forecast presented in this testimony. Given this caveat, my testimony will employ the following approach in order to break into this complicated issue.

First, I will briefly outline my key assumptions about Congressional actions in the next few weeks. Those assumptions condition my outlook for economic trends in the next few quarters. Second, I will cite data from Dun & Bradstreet that characterize the current state of the domestic economy. My general economic outlook follows from my interpretation of those statistics and other information. Third, I will briefly review the implications for Gramm-Rudman-Hollings and the interactions between tax reform and deficit reduction.

Finally, I will conclude with some suggestions about the crucial role of "expectations" on the evolving outlook.

First, however, let me highlight my most important points about the interaction of economic trends and Congressional decisions.

Interactions of Tax Reform and Deficit Reduction

In the forecast that I present today there is a difficult dilemma from the point of view of Gramm-Rudman-Hollings. A basic assumption of my forecast (as outlined below) is that the effective dates for both tax reductions and new taxes will be January 1, 1987--a move dictated in part by the fact that the economy is already sluggish and is unlikely to regain strength until the stimulus of the improved tax policy is in effect. However, moving up the effective date for the tax reductions also costs revenue and the deficit becomes wider.

Current procedures call for estimates in October. If the Tax Reform bill is signed by Labor Day--the current target date--this negative revenue impact will be anticipated to some extent. However, since most revenue forecasts assume that the changes occur in a static world, it is likely that the true impact of the early effective dates will not be anticipated correctly. For example, the early availability of the tax benefits could stimulate the economy more than anticipated, which would yield higher revenue than projected. Alternatively, early definition of the ground rules could redirect investment and consumption from tax base areas, resulting in lower revenue than forecast. This could lead to significant errors in defining the targets for Gramm-Rudman-Hollings.

The Economic Outlook

Current economic statistics indicate that the pace of activity in the domestic economy is sluggish. For example, recently released statistics show the following pattern:

Variable	4th Q-85	1st Q-86	2nd Q-86
Gross National Product	2.1%	3.8%	1.1%
Final Sales to Domestic Purchasers	4.7%	-1.8%	5.5%
Consumer Expenditures	1.7%	3.6%	5.9%

The pattern is significantly below the growth rate of 4% that was called for the Economic Report of the President at the beginning of the year. Of great significance is the fact that few economic indicators show any significant evidence of strength.

Dun & Bradstreet Data

Despite signs of weakness, it is important to note that several indicators of economic activity that we collect at The Dun & Bradstreet Corporation suggest some important underlying strengths. For example, quarterly surveys of the views of business owners show that their overall optimism about the future of the economy remains high, especially since the current business cycle has been on a positive track for three and one-half years.

Chart 1 summarizes data from the Dun & Bradstreet Quarterly Expectations Survey. You will note that business people's expectations generally coincide with economists' view of business cycles. Of particular importance to the current discussion is the relationship between business expectations and their actual experience. Currently, actual performance is falling significantly below expected performance, a pattern which emerged in late 1984 and persisted through the beginning of this year. The only other time when actual performance lagged expectations significantly during a business expansion was in 1967 and early 1968. This leads to my view that while we have the potential for sustained economic growth that

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can equal the record of the 1960's, lags in performance are threatening that potential.

Other indicators from Dun & Bradstreet statistics have not shown any significant deterioration in the economy. For example, business failures in the first six months of 1986 were up 8.1% compared to 9.6% for all of 1985. Clearly there are some difficulties in particular sectors, with mining and services being the areas with the greatest increases in business failures. The trend in mining is attributable to difficulties with petroleum exploration and drilling. In contrast, the trend in services is attributable to the sharp growth in new business activity in the service sector in recent years.

Development of new firms is measured by the Dun & Bradstreet series on business starts. For the first six months of 1986 business starts were up 8.4%, with nearly 15% growth in finance, insurance and real estate and 9% in services. Earlier, services were growing more rapidly; however, the large number of new competitors is slowing down the formation of new companies in the sector.

Another indicator of new business activity is data on new incorporations. While some new incorporations represent legal activities to create tax shelters and to limit liability, they have historically been an indicator of the creation of new enterprises. Dun & Bradstreet's series on new incorporations showed an increase of 5.3% in 1985 and an increase of 8.7% in the first four months of 1986.

This surge in entrepreneurial activity is the backbone of current strength of the U.S. economy. Our surveys show that nearly two-thirds of the jobs added in the economy are in firms whose total employment in all locations is less than 100 employees. Our most recent survey of the employment outlook (January 1986) indicated that approximately 3 million new jobs would be added in the U.S. economy in 1986. It is particularly interesting to note that despite the weaknesses shown by other economic indicators, the Bureau of Labor Statistics data for June show that we have created 3 million new jobs in the past 12 months. Finally, with respect to Dun & Bradstreet data, I would call your attention to building permits--a leading indicator of future construction--which were up a strong 10% in 1985, despite difficulties in some areas with high vacancy rates.

Consumer Expectations

The final economic indicator that I will call to your attention is the Consumer Sentiment Survey published by the University of Michigan. The consumer, like the business people discussed above, remains strongly optimistic about the current health of the economy and the future outlook. The most recent data from the Consumer Sentiment Survey are from the month of June, 1986. The index stands at 99.3, very close to the record level of 101 reported for the month of March, 1984, at the beginning of the current business cycle recovery.

A recent release (July 18, 1986) from the University of Michigan Survey Research Center noted:

"In the second quarter 1986 survey, the Index of Consumer Sentiment was 96.8, up from 95.5 in the first quarter and 91.1 at the close of 1985. During the past thirteen quarters the Index has remained in the relatively narrow range of 91.1 to 99.5, the longest period of such high levels since the mid 1960's. Favorable attitudes toward buying conditions for homes were held by 85 percent of all families in the second quarter 1986 survey, the highest proportion ever recorded."

This view of current economic conditions is somewhat mixed. Our major macro indicators are sluggish, yet there is evidence that business and consumer confidence remains strong.

Uncertainty About Tax Reform

How do we explain this dichotomy? I think that the most important new factor in economic behavior is the uncertainty that has been generated by the prospects for significant tax reform. Earlier this year, few analysts believed that tax reform could be achieved in the political environment of 1986. While the President was given credit for rescuing the tax reform movement in the House of Representatives, it appeared that political pressures were pulling in such diverse directions that a political consensus could not emerge. Given the skepticism about tax reform, many consumers and businesses began making decisions as though nothing was going to happen.

The emergence of the dramatic proposal from the Senate Finance Committee changed both the outlook of the analysts and the public mood. Today, many are awaiting final proposals before current purchases are completed and future investments are decided. It is uncertainty about the shape of tax reform combined with a sense of high probability that tax reform will occur that has dampened current economic performance.

In fact, a recent Dun & Bradstreet survey (May 1986) of 5,000 U.S. firms showed that most of the nation's business leaders believe that the proposed Senate tax bill would help the overall economy, but they are less optimistic about its impact on their specific businesses. Among the businesses surveyed by D&B, 62.4% said the current Senate tax proposal would be good for the economy, while 51.1% said it would be good for their businesses.

Assumptions about the Economic Outlook

The outlook for coming quarters, therefore, must recognize the current sluggishness and estimate the strength of future demand, especially in the investment area. My forecast involves the following key assumptions:

1. The effective dates of tax reform will be moved up to January 1, 1987. This action will be a result of the widespread recognition of the current sluggish state of the economy. A delay to July would simply prolong sluggishness.

2. My fiscal forecast is that the Gramm-Rudman-Hollings targets will be met. We will return to this point later in this testimony.

3. The stimulus of lower oil prices will be positive for the next several quarters, but the transaction price for long-term oil contracts will drift upward toward $18 per barrel.

4. The dollar will not decline significantly further, although there will be up and down movements of plus or minus 10% from current levels.

Based upon these assumptions I project the pattern of economic activity for 1987 and 1988 which is shown on the following page?

Forecast of Gross National Product
(Dollar Amounts in Billions)

	Actual		Forecast		
	1984	1985	1986	1987	1988
Gross National Product Current Dollars	3774.7	3988.6	4201.5	4498.5	4803.9
Annual Rate of Change (%)*	6.5	5.7	5.3	7.1	6.8
Gross National Product 1982 Dollars	3492.0	3570.0	3673.6	3820.6	3923.2
Annual Rate of Change (%)*	11.0	2.2	2.9	4.0	2.7
GNP Deflator (1982=100)	108.1	111.7	114.4	117.8	122.5
GNP Inflation, Annual Rate of Change (%)*	4.2	3.3	2.1	3.5	4.2
Consumption Expenditure	2239.8	2313.0	2403.8	2477.7	2539.0
Annual Rate of Change (%)*	4.4	3.3	3.6	3.4	2.5
Business Fixed Investment	430.2	472.1	464.0	486.3	504.1
Annual Rate of Change (%)*	19.5	9.7	-0.5	3.5	3.7
Residential Fixed Investment	168.3	171.2	190.8	193.3	189.3
Annual Rate of Change (%)*	13.2	1.7	9.1	3.4	-2.0
Government Purchases	675.9	716.4	731.3	73[illegible].2	743.4
Annual Rate of Change (%)*	4.3	6.0	1.5	1.6	0.7
Chg. in Bus Inventories	62.6	5.7	17.1	41.6	35.7
Net Exports	-85.0	-108.4	-133.4	-116.4	-88.4

*seasonally adjusted

July 1986 - Economic Analysis Department
The Dun & Bradstreet Corporation

Note: Does not reflect July historical revisions.

Gramm-Rudman-Hollings

From the point of view of these hearings the key question is, Will the Gramm-Rudman-Hollings targets be met? Alternatively, the question is, What are the probabilities that economic growth and/or lack of Congressional resolve operate to generate a deficit greater than that of the target of $144 billion specified for fiscal 1987?

In recognition of the uncertainties of making accurate revenue and spending estimates, Gramm-Rudman-Hollings permitted a $10 billion error in achieving the $144 billion target. Current estimates for fiscal 1987 suggest that the deficit will be larger than projected earlier this year. One current rule of thumb is that a decline of 1% in the rate of real economic growth would increase the deficit by $20 billion. While that is a rough estimate it is important to note that a decline in growth of only one half of one percent would cause the $10 billion error permitted by Gramm-Rudman-Hollings.

Econometric estimates, of course, suffer from the limitation that they do not provide for specific Congressional action. Triggering of the automatic provisions of Gramm-Rudman-Hollings would require a lack of budget reduction action by the Congress. Given that most members ran on a deficit reduction platform in 1984, it seems to me politically risky for Congress to "walk away from the issue." Thus, in the current political environment, it appears unlikely that the deficit forecast to be presented by October 5 (the deadline for Gramm-Rudman-Hollings) will exceed the $154 billion target.

A second feature of Gramm-Rudman-Hollings is the fact that if OMB or CBO would generate a forecast of two or more consecutive quarters of negative economic growth, the automatic spending cuts would be eliminated. Given the prospects of tax reform and expected stimulus from tax reform, it seems to me unlikely that an economic forecast would be generated by either OBM or CBO that offered immediate prospects of a recession in fiscal 1987.

Mr. **Brooks**. Well, we thank you. Right now we will go and vote on the rule and come back and hear from Mr. Straszheim.

Thank you very much. Recess for a moment.

[Recess taken.]

Mr. **Brooks**. The subcommittee will come to order.

Mr. Straszheim, we are delighted to have you here. You may proceed, sir. We will accept your full statement, for the record and you may proceed.

STATEMENT OF DONALD STRASZHEIM, PRESIDENT AND CHIEF ECONOMIST, MERRILL LYNCH ECONOMICS, INC.

Mr. **Straszheim**. Thank you, Mr. Chairman.

The text of that written statement is self-explanatory. I would like to put these remarks into some broader context and elaborate on a few of the exhibits which are attached to that statement.

I would like to start with one basic point which is that the U.S. economy is not in equilibrium, not even close. We have a $200 billion budget deficit fully 4 years into recovery which I do not believe Gramm-Rudman-Hollings is going to resolve. We have a $150 billion foreign trade deficit, in round numbers, and we have now become very much more dependent on foreign capital inflows from abroad.

These are the elements of trouble. They are the elements of adjustment. They are the elements of imbalance. They are not the chapters in a story that ends with "they lived happily ever after."

Now that does not mean that the economy is quickly falling into recession. We, in fact, do not believe that the evidence is conclusive on that point, at all, as yet. But this is very much a mixed picture. There is much to be pleased with, about our economic performance in the last few years. The inflation rate is way down. Interest rates are way down. Oil prices are way down.

However, we have these other fundamental imbalances and they are not to be minimized.

The emerging shortrun situation, we believe, is not heartening for the remainder of 1986. We have recently reduced our economics forecast for the remainder of this year. We believe that the weak sectors in the economy—agriculture, energy, commercial construction—are increasingly contaminating the strong sectors. Our view is below the consensus, but there are a variety of areas in which there are problems that I want to say something further about.

First of all, plant and equipment spending is dead in the water. The utilization rate is about 78 percent, which is low, and headed down. Tax reform, while it very well may be a plus in the long run, we believe will be a minus to business capital spending for the rest of this year because of the investment tax credit repeal and other business tax changes.

The housing and auto sectors have driven the economy over the last year or two. But even if they were to simply stay flat at a high level, that would yield no contribution to further growth. Inventory behavior, on the part of business, we believe will be cautious, not aggressive.

The bottom line of all of this is demand, in total, is likely to be modest and increasingly we see that demand being met by imports, not by domestic economic activity. The result is a beleaguered manufacturing sector that will remain beleaguered. And to understand that more fully, let me say something about exhibit A and exhibit B in the prepared statement.

Exhibit A shows the trade-weighted value of the dollar as calculated by the Federal Reserve Board. And it shows the dollar down a long ways over the last 16 months. Many people are reading these statistics very optimistically. We believe, in the short run, that optimism is misplaced.

The reason for that is shown in exhibit B. The first column in exhibit B shows the Federal Reserve Board's trade weighted dollar. What you see there is that Japan and Canada are about 20 percent of the index and the old European block is about the other 80 percent.

Those trade weights are calculated using 1972 to 1976 trade flows, fully 10 years old.

Now the question we asked ourselves is as follows: If you are interested in attempting to determine the extent to which the falling dollar will help U.S. manufacturers in terms of reduced import competition, you should determine the extent to which the dollar has fallen using trade weights generated from the countries from which we now currently import.

So we looked up the 25 largest import source countries and we listed them on the import basis column on exhibit B. Similarly, if you are interested in the extent to which the falling dollar will help U.S. manufacturers export, you ought to calculate the change in the dollar according to where U.S. manufacturers really export to. We did that as well, and those export destination countries are shown in the right hand column of exhibit B called export basis.

The result of those calculations then is shown on the bottom of exhibit B, in the small table called trade weighted dollar. From February 1985 through June 1986, the Fed trade weights show the dollar down about 28 percent. However, on an import weight basis, the dollar is down only 7 percent. And on an export weight basis, it is down only 2 percent.

There is good news and bad news in those numbers. The good news is if you have been concerned about the declining dollar yielding imported inflation, do not be so concerned because the dollar really is not down very far, on a relevant basis.

The bad news is if you have been all that optimistic that the falling dollar was going to help out the beleaguered manufacturing sector, do not be so optimistic because the dollar is, in fact, not down very far at all.

Mr. Chairman, this issue is dynamite. The strategy to simply wait and argue that the falling dollar is going to bail out U.S. manufacturing, I do not believe is going to work. It is going to be a long wait indeed. Yes, the falling dollar will help, but it is going to be a very long wait.

Now with that point having been made——

Mr. NEAL. May I——

Mr. BROOKS. We are going to try to hear all the statements first, and then ask questions.

Mr. NEAL. OK.

Mr. **Straszheim.** I would be delighted to answer questions about this, or other aspects of my testimony shortly, Mr. Chairman.

Now let me shift to the fiscal issues because they are not independent, but are closely related to these issues, with respect to trade and the problems in that portion of our economy. And if you could turn to exhibit C (see prepared statement), I want to go through some numbers here which I think are instructive for all of us to keep in mind.

This curious looking table shows the economic assumptions made by our Presidents over the last decade. I draw three conclusions from this table. The first conclusion is if I look at the first and second year's forecast made by any of our Presidents over the last decade and compare them to what actually happened, they are not too bad. Some are a little high and some are a little low, but they are not too bad.

The second conclusion is if I look at the "out-year" assumptions which our Presidents have made and which are built into the budget—that is, the 3d, 4th, 5th, and 6th years in any of these periods—they all say it is going to be blue sky forever.

And the third observation is if you look at the actual row across the bottom of the table, the economy goes up and down. Sometimes we have recession, sometimes we have recovery, but the economy goes up and down. This last observation violates the out-year assumption that our economic performance will be blue sky forever.

Now the reason that is important is shown on exhibit D (see prepared statement). This is not a partisan issue, not Republican or Democratic. The economic estimates that are built into the budget have been too routinely optimistic. And I suspect we are doing it again.

The dash line on exhibit D shows the actual Federal budget deficit over the last decade. The small lines that angle up and to the right with a date behind them show the budget estimates made by our Presidents over this last decade.

Now I am a forecaster and I make errors and I always will. But I like those errors to have two characteristics. I like them, first of all, to be small. And second, I like them to be randomly distributed. And these are not either.

Because we imbed in our budget calculations economic assumptions that are routinely too optimistic, the budget falls short year after year. We indicate, especially in the out-years, a robust economy and a budget deficit that will fall and fall a lot. This improvement has not materalized. And it is crystal clear to us that we are, in fact, doing that again, as well.

We do not believe that bringing the budget to balance by fiscal 1991, as is embodied in Gramm-Rudman-Hollings, is a doable proposition. We have assumed, in our analysis, that tax reform will be passed this fall and we have assumed the individual features will be effective January 1, 1987, not January 1 and July 1 in a staggered fashion as has been suggested by some.

But no sooner will the ink be dry on that legislation than we believe we will begin to again wonder about fiscal policy and about whether or not we should attempt to use it one way or another for countercyclical purposes.

Our estimates of the unified budget deficit in fiscal 1986 are about $224 billion. And for fiscal 1987 about $200 billion. As a practical matter, we do not believe that the $144 billion Gramm-Rudman-Hollings target is attainable.

The problem with all of this is we will then be between the proverbial rock and a hard place. We will have just passed the largest tax reform legislation in 50 years. The deficit will be $200 billion in round numbers. It will take a courageous Congress to say the deficit is $200 billion, the economy is staggering. Let us cut taxes, raise spending, make the deficit $250 billion and get this economy moving again.

The implication is that if fiscal policy is not characterized as paralyzed, it will be characterized at least as constrained. What that further implies is if there is not all that much practical room on the fiscal side, the countercyclical burden will all rest with monetary policy and that will be different. And I do not know how it will work. But it will be different.

Let me just close by saying, Mr. Chairman, I think you have hard choices in front of you. Gramm-Rudman-Hollings is a step forward in the sense that it reflects the Congress' effort to attempt to get the deficit down in one way or another.

In many ways, I would argue, Gramm-Rudman-Hollings is an effort by the Congress to tie its own hands in a way in which it cannot untie them in the future, and that is not a logical possibility for a legislative body. As conditions change, you are going to want to change policy in the future, and I see no reason why that should not be done, assessing the information that is available at the time.

We need a fiscal policy, not just a fiscal result.

Let me end there, Mr. Chairman, and I would be happy to try to answer any questions.

[Mr. Straszheim's prepared statement follows:]

Statement by
Donald H. Straszheim
Chief Economist
Merrill Lynch

before the
Subcommittee on Legislation and National Security
of the Committee on Government Operations
U.S. House of Representatives

July 23, 1986

We have significantly reduced our economic forecast for the second half of 1986. Though the decline in interest rates and oil prices earlier this year will continue to pay benefits, the long-awaited second-half rebound is not likely to materialize. Instead, we believe that the economy will slip sideways, with real GNP growth in the last two quarters of 1986 in the vicinity of +1.0% and -1.0% respectively. We do not as yet believe conditions are so weak as to anticipate a full-fledged recession.

The co-existing very strong and very weak areas portray an unusually uneven economy. Increasingly, the weak spots in the economy are contaminating the strong spots. Consumer spending and housing can no longer carry the economy forward. Manufacturing is sinking, with capacity utilization at 78% and headed lower. The problems of commercial construction, agriculture, energy and the other extractive industries are increasingly troublesome. Plant and equipment spending is dead in the water, while improvement on the trade front will be slow in coming.

Lack of economic growth is bad for corporate earnings, which will show little, if any, improvement in 1986. But interest rates will fall choppily—due to both the weak economy and further Fed easing.

The consensus view remains for a considerable pick-up in the second half. However, it is our sense that the consensus view is becoming more pessimistic, with more downward movement to come. Neither our forecast—nor others of which we are aware in the forecasting mainstream—satisfies the technical definition of recession, the shorthand version of which is two successive quarters of a negative growth rate.

Following are comments about conditions in the various sectors as well as comments on other particular issues.

CONSUMERS

Consumer spending will be markedly weaker in the second half of 1986 than in the first half, as households will be strained by sluggish income growth and high debt. Purchases are likely to rise at no more than a 1.5% annual rate, perhaps even edging down. That compares to about a 4.5% increase in the first half.

The leveling off of income growth during the last couple of months will begin to retard consumer spending in the second half of the year. And, real after-tax income will grow very little during the remainder of this year.

HOUSING

Housing starts are likely to weaken somewhat during the second half, but still come in at a respectable rate—not under 1.75 million. Multi-family starts are expected to suffer from the double negatives of over-building and tax reform. Even if housing activity did not deteriorate at all—but rather stayed flat at a high level—housing would contribute nothing to real growth.

PLANT AND EQUIPMENT SPENDING

Business capital spending was not strong in the first half and will be down substantially in the second half, in both structures and equipment. Commercial construction is paying the price for over-building, while also being hit in the short run by tax reform. There are many negatives in the investment environment. Corporate cash flow is sputtering, tax reform means a business tax-hike, and capacity utilization in manufacturing stands at 78%—heading lower.

Capital spending has collapsed in the oil sector, and is weakening in the rest of manufacturing as well. Many service industries that are tied to the health of the industrial economy—like finance, transportation, communications, and business services—are also likely to trim their spending plans.

INVENTORIES

Business will become even more cautious in its inventory policy as the weakness in the economy spreads. Inventory building will not contribute anything at all to growth.

CORPORATE EARNINGS

A sideways economy will take its toll on corporate earnings in the second half of the year. For 1986 as a whole, S&P 500 earnings per share are likely to be essentially flat with 1985, while National Income Accounts after-tax corporate profits may be down as much as 10%. Conceptual differences between S&P 500 earnings and NIA profits account for this seemingly large discrepancy.

INTEREST RATES

Interest rates are likely to fall significantly further during the remainder of the year, both in response to the weak economy itself and as a result of additional monetary policy ease from the Federal Reserve. Another discount rate cut is expected as the weakness in the economy becomes apparent. The yield on 13-week Treasury Bills is likely to fall toward 5.5%, with the yield on the 30-year Treasury Bond falling under 7.0%.

FOREIGN TRADE AND THE DOLLAR

The dollar will continue to decline against the currencies of most other industrialized nations—with the big exception of Canada. We anticipate a fall to about 150 Japanese Yen and 2.10 German Marks by autumn.

The trade statistics have done poorly so far this year—and are expected to remain sour during the second half despite the dollar decline over the last year. The key factor frustrating the improvement on trade is the fact that the dollar is down relatively little over the last 18 months against the currencies of a host of countries that are increasingly important U.S. trading partners.

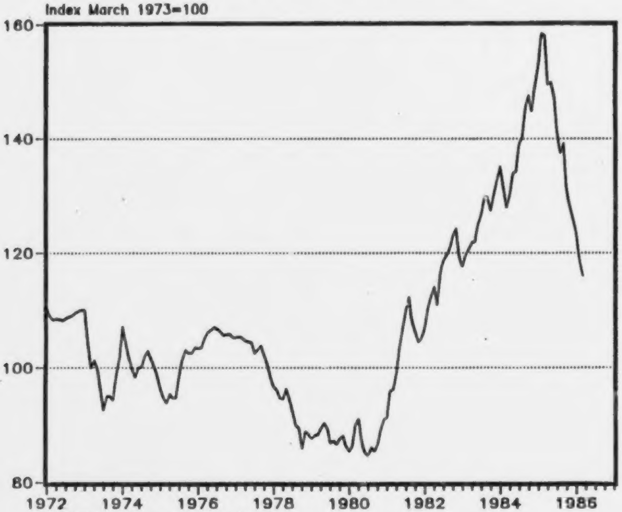
FISCAL POLICY AND THE DEFICIT

Our forecast assumes that major tax-reform legislation will be enacted later this summer, resolving this area of uncertainty and splitting the difference between the House and Senate bills. However, no sooner will the ink be dry on this legislation than the economy's troubles will trigger debate on a possible fiscal policy response. Under the circumstances--a still large deficit and a new version of Gramm-Rudman—it is difficult to imagine a major counter-cyclical initiative.

Furthermore, the economy's performance is likely to fall below the assumptions that probably will be incorporated into federal budget estimates made by both the Adminstration and the Congressional Budget Office. By our estimates, the result will be a fiscal 1987 budget deficit of nearly $200 billion—almost as high as fiscal 1986's deficit anticipated to exceed $200 billion—utterly confounding intentions to reduce the deficit to $144 billion as specified by the Gramm-Rudman legislation.

Exhibit A

TRADE-WEIGHTED VALUE OF THE DOLLAR



SOURCE: Federal Reserve Board.

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Exhibit B

U.S. TRADE AND THE DOLLAR

FRB Basis		Import Basis		Export Basis	
Country	Weights	Country	Weights	Country	Weights
Germany	20.8	Japan	23.5	Canada	26.4
Japan	13.6	Canada	22.6	Japan	12.7
France	13.1	Germany	6.9	Mexico	7.6
England	11.9	Mexico	6.3	England	6.3
Canada	9.1	Taiwan	5.8	Germany	5.1
Italy	9.0	England	5.1	Netherlands	4.1
Netherlands	8.3	South Korea	3.5	France	3.4
Belgium	6.4	Italy	3.4	South Korea	3.3
Sweden	4.2	France	3.2	Australia	3.0
Switzerland	3.6	Hong Kong	2.9	Belgium	2.8
TOTAL	100.0	Brazil	2.6	Taiwan	2.6
		Singapore	1.4	Italy	2.6
		Netherlands	1.4	Saudi Arabia	2.5
		Sweden	1.4	China	2.2
		China	1.4	Singapore	1.9
		Switzerland	1.2	Venezuela	1.9
		Belgium	1.2	Brazil	1.8
		Australia	1.0	Hong Kong	1.6
		Spain	0.9	Israel	1.4
		India	0.8	Spain	1.4
		Malaysia	0.8	Egypt	1.3
		Philippines	0.8	Switzerland	1.3
		Israel	0.7	Sweden	1.1
		S. Africa	0.7	India	0.9
		Denmark	0.6	Malaysia	0.9
		TOTAL	100.0	TOTAL	100.0

Note:
1. FRB: Multilateral average trade shares, 1972-76.
2. Imports: Merchandise import shares, 1985. These 25 countries are 85% of total U.S. imports.
3. Exports: Merchandise export shares, 1985. These 25 countries are 84% of total U.S. exports.

TRADE-WEIGHTED DOLLAR

	FRB Weights	Import Weights	Export Weights
Annual 1980 - February 1985	+81.0	+83.7	+92.0
February 1985 - June 1986	-28.1	-7.1	-2.3

Note: Percent change in the dollar using FRB trade weights, import weights by country of origin, and export weights by country of destination.)

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Exhibit C

Economic Assumptions of the Presidents: Real GNP (% Change)

Calendar Years

Date & Source	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
2/75 Ford	-3.3	4.8	5.6	6.5	6.5	6.5											
1/76 Ford		6.2	5.7	3.9	6.5	6.5	4.9										
1/77 Ford			5.2	5.1	5.9	5.5	3.9	3.5									
1/78 Carter				4.7	4.8	4.8	5.0	4.7	4.2								
1/79 Carter					3.3	2.5	4.2	4.7	4.4	3.4							
1/80 Carter						-0.6	1.7	4.3	5.0	4.9	4.7						
1/81 Carter							0.9	3.5	3.5	3.7	3.7	3.7					
2/82 Reagan								0.2	5.2	5.0	4.7	4.4	4.3				
1/83 Reagan									1.4	3.9	4.0	4.0	4.0	4.0			
2/84 Reagan										5.3	4.1	4.0	4.0	4.0	3.9		
2/85 Reagan											3.9	4.0	4.0	4.0	3.9	3.6	
2/86 Reagan												3.4	4.0	4.0	3.9	3.6	3.6
Actual	-1.2	5.4	5.5	5.0	2.8	-0.3	2.5	-2.1	3.7	6.8	2.3						

Sources: Budget of the U.S. Government, various years.

Note: Reading across any row shows the assumption of a particular president made on the specified date for the next six years.

Reading down any column shows the various growth assumptions for a particular year made over a space of six years.

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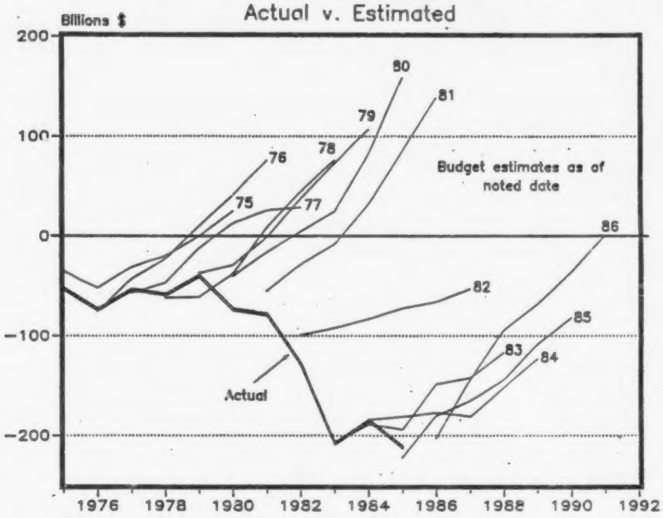
Exhibit D

BUDGET ESTIMATES OF THE PRESIDENTS

Actual v. Estimated



SOURCE: Budget of the U.S. Government, various years.

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Mr. **Brooks**. Do you think that interest rates could go down to four where the real interest would be three?

Mr. **Straszheim**. It is hard for us, Mr. Chairman, to see interest rates going down that far. And this discussion about real interest rate, in recent years, is very relevant. One of the reasons we believe that real interest rates have remained very high is precisely this fiscal difficulty that we are in.

People in the markets realize that we have an utterly unprecedented situation. Four years into a recovery with the public sector still demanding $200 billion a year, is one of the elements keeping real interest rates high. It implies that while we may get further interest rate declines, they will not be great and it is not at all obvious how much improvement in the economy we would get, even if we got an additional 1 percentage point or maybe even 2 percentage points decline in interest rates.

Mr. **Brooks**. Mr. Chimerine?

Mr. **Chimerine**. Yes, sir.

Mr. **Brooks**. How sensitive is the Federal deficit, in your judgment, to general economic growth?

Mr. **Chimerine**. Well, it sounds like a simple question, but I will play the role of an economist and give you a complicated answer, Mr. Chairman, and say it depends. It obviously depends on how much of that gets channeled into profits versus other kinds of income because the tax rates are different.

On balance, if the economy would be 1 percent higher next year than what we are forecasting under a normal situation, that would reduce the deficit by approximately $15 billion.

Mr. **Brooks**. I have some questions for all of you that I will submit to you for the record, if I may.

[Note.—To expedite the printing of this transcript, the additional questions and answers for Mr. Chimerine and Mr. Straszheim from Mr. Brooks were not included in the printed record. When received, they will be placed in the committee's file on this hearing. The responses from Mr. Duncan to Mr. Brooks' questions follow:]

RESPONSES OF JOSEPH W. DUNCAN TO QUESTIONS SUBMITTED BY CHAIRMAN BROOKS

For Mr. Brooks

1. Q. What impact does the federal deficit have on the general economy of the nation?

   A. The federal deficit must be funded. Thus, it represents a demand on the resources of capital markets. In the economist's world--all things being equal--an increase in the deficit creates an increase in the demand for capital, yielding higher interest rates.

   Obviously, all things do not remain equal. Hence, the ability of capital markets to meet the demands created by the federal deficit is the result of capital flows determined by other factors. During the last several years, this exceptionally large federal deficit has been accommodated from a variety of sources. For example, in the calendar year 1983, many state and local governments floated bond issues to beat the deadline for registration on tax-free bonds. Since these fundings were in anticipation of future needs, state and local governments were significant purchasers of treasury bonds, thereby helping to fund the federal deficit.

2. Q. How do the actions of the Federal Reserve affect the federal deficit?

   A. Federal reserve policy is important since its decisions on such variables as required reserves at a discount rate influence the flow of funds into capital markets.

3. Q. How accurate are economic forecasts and what factors are most likely to affect them in a significant way?

   A. Economic forecasts in general are useful for indicating the "tone" of the economy. However, they are not useful for making point estimates of such individual components as consumer spending, or rates of growth on a quarterly basis. Many factors influence the behavior of the economy, including economic developments in other nations; swings in consumer and business expectations; and specific events such as the impact of weather on crops, the decisions of OPEC about production policy, and the actions of the LDC governments concerning trade and debt refinancing.

Since economic forecasts are the result of numerous assumptions about such details, it is not surprising that many assumptions prove to be in error, causing the consequent forecast to be in error.

A little-noted problem with economic forecasts is the weakness of the preliminary data upon which many are based. Not only are the initial estimates revised but every year there is an annual revision of prior-year data and every five years there is a change in the benchmark for the entire series. Those data revisions have the impact of recalibrating the models as well as revealing different patterns than were initially assumed. Hence, forecasts rarely meet the actual numbers published several years later.

4. Q. What is likely to happen if the economy does not pick up soon and we experience a sizable Gramm-Rudman-Hollings sequestration cut in October?

A. A sizable Gramm-Rudman-Hollings sequestration cut would be very detrimental because it would be an across-the-board cut. This means that essential activities would pay the same penalty as nonessential activities. Appropriate action in response to an economic slowdown would be selective cuts designed to avoid the across-the-board cuts that would otherwise occur.

Mr. **Brooks**. Mr. Duncan, if the world economy splits into a recession, how will this affect the United States?

Mr. **Duncan**. Thank you, Mr. Chairman.

That actually is, I think, the most troublesome part of the longer term economic outlook. I was a little bit more optimistic, in domestic terms, than my colleagues at the table. But I think from the point of view of the long-term development in the United States, the sluggish world economy is indeed the achilles heel of the U.S. economy.

Let me come back to your real interest rate question a moment. One reason real interest rates have remained high is because the risks involved in various portfolios are very high. That is the loans that are outstanding to weak sectors like agriculture and petroleum, as well as to the less developed countries, are a part of a weak banking portfolio.

Well, high real interest rates over the last 3 years in particular, have permitted the banking system as a whole to rebuild its reserves somewhat, but it has a long way to go. Now the problem, to get to your question, is if we were to have a world level decline in volume of world trade or even a moderate recession, that disables the earning capacity of the less developed countries, as well as the earning capacity of the trading countries, because exports would decline.

Both of those would begin to unravel the banking system and that would, I think, have very serious international prospects.

I mentioned in my statement that we are now a world economy. If you look at business decisionmaking, it is being done on a global basis. We have trading sectors, groups of countries like the Common Market, looking at their self-interests more internally. There are indeed strong protectionist moves around the world, and this will be a serious problem for rebuilding world trade to the levels that we experienced say prior to 1978.

Mr. **Brooks**. Mr. Stephen Neal.

Mr. **Neal**. Thank you, Mr. Chairman.

Mr. Straszheim, I did not understand your chart fully, your exhibit B. I have been reading that the value of the dollar, relative to the yen, is at the lowest point since World War II or something like that. And that has led me to think that that might improve our trade balance with Japan. It looks to me like you are showing a very low relative change, but the change in the dollar versus the yen has been very dramatic.

Mr. **Straszheim**. Yes, Mr. Congressman. Let me try to explain these. I can do a bit better job of that.

It is true that the dollar is down a long way against the Japanese yen, and a long way against the German mark, and a long way against a few other currencies. Something like 40 percent against the yen, which you referred to in particular.

But the key is looking at the change in the dollar relative to a whole host of currencies, because we increasingly import from Taiwan, Hong Kong, Korea, Singapore, Canada, Mexico, the other Latin American countries and so forth.

Mr. **Neal**. Now they peg their currencies to the dollar, in many cases, I believe?

Mr. Straszheim. Yes, sir, and that is precisely one of the key points that I hoped would come out of this session today. When you look at the Federal Reserve trade-weighted column in exhibit B, the extreme left, you see that Japan's importance and Canada's importance is substantial in those old calculations. But when you look at where we now are, in trading, you find a whole host of other countries—many of whom do peg their currencies to ours—are increasingly important.

And then when you look at the bottom row, on the trade-weighted dollar—you find the telling point. That is, from February 1985 through June 1986, the period in which the dollar has generally been falling. It is down a long ways against the yen and the mark and others. And on that Fed trade-weighted basis, FRB basis, it is down 28 percent, not all that far below the 40 percent in Japan and Germany, for example.

But that is not the right way to think of the dollar, in terms of its impact in the heartland of America, in U.S. manufacturing. The key is calculating it according to where we really import from, and where we really export to. And on that basis, it is only down 7 percent or down 2 percent.

If you are a U.S. manufacturer who competes with Japan, you are indeed going to be much better off. But more and more United States manufacturers compete with imports from Korea, Hong Kong, Taiwan, Brazil, and on and on.

Mr. Neal. Well, this suggests—as you said very clearly—that we cannot reasonably expect an enormous reduction in this ongoing trade deficit. What would help in this area, in your opinion?

Mr. Straszheim. Well, the first thing I would say is we do not believe the benefits will flow quickly. But they will ultimately flow as the dollar continues to decline. We will do better against the Japanese, against the Germans, and a few others, but it will take a very long period of time and eventually I suspect the dollar will decline against some of these other currencies. And when that happens, with the lag, we will start to see improvement.

But the basic point is this is going to be a very long, slow process and we are going to be disappointed in terms of our progress on trade, just as we have been disappointed year after year in terms of our progress on the Federal budget deficit.

Mr. Neal. And you do not really have a suggestion for improving that situation?

Mr. Straszheim. No, I do not have a specific suggestion, other than to say that markets do work and as the dollar declines, there will be this improvement. Our exports will become more competitive. Imports will be less competitive. But it will take time.

Mr. Neal. Do our other panelists pretty much agree with what has been said here?

Mr. Chimerine. I agree, Congressman, as I said earlier, that the progress will be slow. And if I can give you a numerical example to illustrate the point that I made earlier and now Don Straszheim is making: It is not unreasonable to expect that within a year or two the current $50 billion trade deficit with Japan might fall to $30 or $35 billion.

I do not think it will fall more than that because, while the yen has appreciated dramatically, Japanese prices in United States markets have not risen all that much.

But the problem is that our overall deficit this year in trade will be something like $160 or $170 billion. We will probably see a $15 billion improvement with the Japanese, but some of that is going to be offset as our deficit continues to worsen with Korea, Taiwan, Hong Kong, et al.

Overall, therefore, maybe we will get $10 billion tops, per year, improvement in the overall trade deficit. We will also get some improvement with Europe. So if you have $15 billion with Japan and we get another $15 billion improvement with Europe, and then offset that by the continued erosion with the other countries, on an overall basis you are not improving that large trade deficit very rapidly.

The next key issue we are going to have to address in this country is what to do about the currencies, vis-a-vis these other countries that we have just talked about. We cannot allow them to be tied to the dollar forever and see our trade deficit continue to deteriorate forever against those countries.

Second, I think we ought to pursue more vigorous action against countries who violate the trade laws. It will only make a small contribution to improving the deficit, but we should do it.

Third, I think we have to consider more relief for industries and individuals who are being hurt by trade problems in the United States. It seems to me these are the three new areas that have not really been explored as aggressively as they should be.

Mr. NEAL. Thank you, Mr. Chairman.

Mr. BROOKS. Thank you so much.

I have one more question for you, Mr. Straszheim. Do you consider the recent bankruptcy of LTV, the second largest producer of steel in the Nation, to be an isolated incident or the harbinger of things to come?

Mr. STRASZHEIM. Mr. Chairman, I am not an expert on the steel industry, so I could not say anything other than that my hunch is it is an isolated incident. However, to the extent that the trade problems that I have elaborated on just previously are part of the problem with that particular industry and company, it may be not an isolated incident but there may be other difficulties to come.

But I must defer. I do not know that particular industry, that company's situation. I could not really speak beyond that.

Mr. BROOKS. Mr. Horton.

Mr. HORTON. Mr. Chairman, I have some questions that I would like to submit to the panel, as a whole, and perhaps they could answer them in writing, so as to not take up the time now. And then I have some specific questions for Mr. Chimerine, which I will present to you and perhaps you could answer them in writing.

Mr. CHIMERINE. Sure.

Mr. BROOKS. Without objection, so ordered.

[NOTE.—To expedite the printing of this transcript, the additional questions and answers for Mr. Straszheim from Mr. Horton were not included in the printed record. When received, they will be placed in the committee's file on this hearing. The responses from Mr. Chimerine and Mr. Duncan to Mr. Horton's questions follow:]

Response to Congressman Horton's Questions
July 24, 1986
Lawrence Chimerine

Questions for Dr. Chimerine

1) James Miller, Director of OMB, was recently quoted as blaming higher deficits partly on lower inflation than originally anticipated. You state (p. 3, (d)) that recent price indexes are understating inflation. Do you agree with Mr. Miller?

> Inflation in the recent past has been lower than what the Administration and most private forecasters have expected—in the short run, this does hold down tax revenue and increase the deficit over what would have occurred with higher inflation. However, in my judgment, this is a rather small factor in the current deficit problem—much larger causes have been weaker-than-expected economic growth, and a sharp understatement of expenditures for agricultural and defense programs.

What do you see as the actual inflation rate now?

> As of now inflation is varying considerably by sector—for example, inflation in the service sector is in the 4.0% to 5.0% range, while commodity prices are actually falling in many cases. On average, however, I would put the overall inflation rate for the economy as a whole as currently in the 2.0% to 3.0% range, and it is likely to rise somewhat once oil prices stop declining.

2) If lower interest rates will not encourage consumers to spend more (p. 3), how do you feel this could be accomplished?

> The primary factor impacting consumer spending is the growth in income—as I mentioned in my testimony, personal income in general, and wages and salaries in particular, are growing very slowly. This will eventually cause a sharp deceleration in consumer spending, especially in view of the low saving rate and high debt burdens currently in place. In my judgment, the only way for consumer spending to be more vigorous in the period ahead is if income growth accelerates, which would only take place if manufacturing employment stabilizes and begins to rise in response to a turnaround in the trade deficit.

3) What is your basis for saying GNP data is inconsistent with other economic data (p. 3)? Do you suggest any other set of data to more accurately measure total economic output?

> My point regarding GNP data is largely that the economy was not as strong as first-quarter GNP suggests, primarily because the National Income Accounts indicate a rapid rise in consumer spending, which I believe is being overstated—in particular, it is inconsistent with retail sales activity.

4) You point out negative aspects of the recent fall in oil prices (p. 4, #3). Would an increase in current oil prices, say back to the 1984 levels, have overall positive effects on our economy?

> I do not believe that an increase in oil prices back to the levels of 1984 would have an overall positive effect on the economy, though it would benefit the Southwest. My main point, however, is that the

declines in oil prices will not be a very large stimulant to the economy, and secondly that there are sizable risks inherent in further declines in oil prices because they would add to the financial strains which already exist in the system.

5) You state that the stock market is really a sign of weakness (p. 5). Could you explain the basis of your conclusion? What would a decline in stock values at this time represent?

In regard to the stock market, other than annecdotal evidence I have no conclusive evidence to support my view that the stock market has in fact benefitted from the sluggish economy which now prevails. Many companies have been purchasing their own stock instead of using those funds for capital investment—this has helped to help push up stock prices, but it has held back the real economy. Furthermore, it seems clear that lower interest rates have had a favorable effect on the stock market by reducing the return on alternative investments, and by increasing the current value of expected future earnings—as I mentioned in my testimony, I believe recent declines in interest rates are at least in part a direct result of the weak economy.

6) If interest rates continue to slide lower, would you still feel the housing boom has peaked? Would this be true if your recommendation that interest rates be greatly reduced were implemented?

I believe it will take some additional declines in interest rates just to maintain the current level of housing activity; otherwise housing will taper off. However, a very sharp decline in rates (such as a decline in mortgage rates to, say, 8%) could in fact cause housing activity to remain at peak levels or increase slightly further. It should be noted that there is only a limited demand for housing based on population and demographic characteristics, so that lower and lower interest rates cannot push up housing activity on a sustained basis.

General Questions

1) What effect on the economy do you forsee if (economic) conditions remain the same as they are now and Congress cuts Federal spending to reach the $144 billion deficit level?

As I mentioned in my testimony, any effort to cut spending by a sufficient magnitude to reach the $144 billion Gramm-Rudman deficit target for FY87, assuming that realistic assumptions were used in projecting the deficit, would produce an enormously restrictive policy in the short run, which would exert considerable additional downward pressure on an already sluggish economy—complete stagnation or even a mild recession could result.

2) Based on your evaluation of the overall economy at this time, what actions are necessary, in economic terms, to ensure that reaching the $144 billion deficit goal will do damage our government programs and our economy during the next fiscal year?

I believe the only action would be to ignore the $144 billion deficit target. There is no way to prevent some negative short-term effects on the economy, as well as to severely damage some existing programs, if serious efforts to reach the $144 billion deficit target are in fact made, and if realistic economic assumptions are used in the process.

3) How do you foresee the new tax bill affecting FY87 revenues? The economy in FY87?

It is difficult to make a good estimate about how the next new tax bill will effect FY87 revenues until the final provisions are determined. It will depend heavily upon the effects of those various provisions. However, both the Senate and the House bills would have raised revenues somewhat in FY87. With respect to the economy, I believe that the tax reform bill that will likely emerge will have a modest negative impact on the economy later this year and in 1987, reflecting the likelihood that it will hit already weak investment and construction very hard. In addition, because the changes in the tax code will be so large, there may be a fairly long period during which commitments may be delayed as the new law is being assessed. Finally, many of the winners of tax reform are likely to increase their expenditures gradually over time, while many of the losers will cut back more quickly.

4) Do you believe that increasing revenues would be an appropriate way of reducing the budget deficit?

I see no acceptable way of achieving even a modest downward trend in the Federal budget deficit in the years ahead without at least some modest increase in revenues, especially if the reluctance of Congress and the Administration toward cutting entitlement programs remains in place. In my view, many of the other domestic programs have already been cut enough or even too much, and it appears that further cuts in the defense budget will be difficult to achieve. Thus, some revenue increases will be necessary.

a) What form of revenue enhancement would most effectively reduce the deficit without hurting the economy?

In my judgment, I believe that the added revenues that must be raised should come from income taxes and should be done in a way that will not make the tax structure even less regressive than we have already done during the last several years. The ideal way to accomplish this would be to combine deficit reduction with tax reform, so that tax rates are set at such a level so that some incremental revenues will be produced during the years ahead.

b) What, in your judgment, is the appropriate mix of spending cuts and revenue increases for bringing down the deficit to levels which are sanctioned by Gramm-Rudman?

> I believe that on a long-term basis, at least one-third of any deficit reductions will have to come on the revenue side, even if we strive for a target of a $100 billion budget deficit by 1991. If in fact a balanced budget by 1991 remains the goal, as much as one-half or more of future changes will have to be on the revenue side.

Today's New York Times reports that the economy grew last quarter at an annual rate of 1.1%. What specific steps would you suggest to stimulate the economy, thereby increasing revenues, but avoiding inflation?

> As I mentioned in my testimony, economic policy is limited at this point in terms of providing additional stimulus to the economy. In particular, I would advise against tax cuts or spending increases because these would further widen the deficit in the short term, and make our long-term problems even more severe. Thus, I think the appropriate roles of both fiscal and monetary policy in the short term would be to avoid making the economic situation worse--I think the way to accomplish this is by cutting interest rates further and by limiting the amount of deficit reduction in the short term. The easing of monetary policy is necessary because without even lower interest rates, the economy might slacken off further.

RESPONSES OF JOSEPH W. DUNCAN TO QUESTIONS SUBMITTED BY MR. HORTON

For Mr. Horton

1. Q. As you know, Gramm-Rudman calls for a deficit in FY 87 not to exceed $144 billion. What effect on the economy do you foresee if conditions remain the same as they are now and Congress cuts federal spending to reach the $144 billion deficit level?

   A. My economic forecast assumes that Congress cuts special spending to reach the $144 billion deficit level. I do not see any negative effects on economic health if the Gramm-Rudman-Hollings target is met. However, failure to approach the Gramm-Rudman-Hollings target for fiscal 1987 could be detrimental to long term expectations concerning the ability of the United States to brings its fiscal condition under control.

2. Q. Based on your evaluation of the overall economy at this time, what actions are necessary, in economic terms, to ensure that reaching the $144 billion deficit goal will not do damage to our government programs and our economy during the next fiscal year?

   A. Across-the-board cuts would be harmful to government programs because those cuts would be undertaken regardless of current social and economic priorities. The best procedure to achieve the $144 billion deficit target is to implement selective cuts in programs which are viewed as nonessential. Further, the Defense Department's substantial available budget authority allows for defense cuts in strategic weapons acquisitioned wihtout dramatically altering the nation's strategic position. Further, Congress should reevaluate the proposition that government programs should not be touched. The formula for cost of living increases minus one or two percentage points would make a major contribution to bringing the fiscal policy into line.

3. Q. How do you foresee the new tax bill affecting:

   a) Fiscal Year 1987 revenues?

   b) the economy in FY 87?

   A. My assumptions concerning the new tax bill are identified in my testimony. Under my assumptions, fiscal 1987 revenues would be reduced and the economy would be stimulated.

4. Q. Do you believe that increasing revenues would be an appropriate way of reducing the budget deficit?

   a) If so, what form of revenue enhancement would most effectively reduce the deficit without hurting the economy?

   b) What, in your judgment, is the appropriate mix of spending cuts and revenue increases for bringing down the deficit to levels which are sanctioned by Gramm-Rudman?

A. The federal deficit is largely a product of the growing share of our national product being devoted to government spending. Increasing revenue simply institutionalizes excess spending. Consequently, I do not believe that increasing revenue is an appropriate strategy for reducing the budget deficit. Rather, spending cuts are necessary. My suggestion concerning spending cuts are identified in question three.

5. Q. Today's New York Times reports that the economy grew last quarter at an annual rate of 1.1%. What specific steps would you suggest to stimulate the economy, thereby increasing revenues, but avoiding inflation?

A. I do not believe that the economy requires stimulus. As noted in my testimony I believe part of the sluggish behavior of the economy is a statistical by-product of the continuing trade deficit--an area in which I expect to see improve later this year. The strength of the economy is better indicated by final sales to domestic producers which, as noted in the table on page 3 in my testimony, increased from negative 1.8% in the first quarter to positive 5.5% in the second quarter. Thus, while the economy is not in a boom pattern, it is steadily advancing.

Mr. HORTON. I do have a couple of questions that I wanted to ask. The first one is for the panel. Do you believe that increasing revenues would be an appropriate way for us to reduce the budget deficit? Would it be timely now?

Mr. CHIMERINE. I do not think it is possible to make sufficient reductions in the budget deficit on a long-term basis without some revenue increases. My feeling—as I mentioned earlier—in view of the current state of the economy, is that it would be more realistic to go for a target of a $100 billion deficit by 1991, instead of zero. A zero deficit would be too rapid a reduction, given the current weak state of the economy.

Given what I view as the legitimate role of government in this country, I do not think it is possible to reach that $100 billion level of deficit without some revenue increases.

From a timing standpoint, I would minimize any tax increases this year. I would try to implement them when the economy shows more strength and more vigor; nonetheless, at some point over the next several years at least some modest tax increases will be necessary.

Mr. HORTON. Yes.

Mr. DUNCAN. Mr. Horton, I would generally concur with Mr. Chimerine's view as to the targets. And I would just add to that that I think realistically it is politically not feasible at this time to increase taxes, for a variety of reasons, one of which is the congressional elections this fall.

But I would prefer to see the impact of the design of tax reform. I can certainly see the prospects if tax reform takes some of the shapes that are particularly outlined in the Senate bill that, in fact, the result of that may be some tax base broadening that will actually increase revenues beyond the kinds of assumptions being made now.

As I said, I do not think our models are good enough to tell us what that will be, but we have had some experience with the 1981 tax reform bill that showed some gains that were unanticipated.

Mr. CHIMERINE. Can I follow up with one additional comment: My own personal view is that the logical way to do this is to combine deficit reduction with tax reform and structure tax reform in such a way that it will provide a modest amount of additional revenues on an ongoing basis.

I do not think there is anything magical about 15 and 27 percent as the tax rates, for example. Why cannot we have 16 and 28 or 17 and 29? We still broaden the tax base. We still lower tax rates dramatically. But at the same time, we generate some modest additional revenues to help reduce the deficit. To me, that is the logical way to do it.

Mr. STRASZHEIM. Mr. Horton, I would just say a couple of things. I would also agree that there is no reason why inherently tax reform has to be revenue neutral. There is no reason why you cannot raise or lower taxes in a countercyclical sense, if you think that is the right thing to do, and also adjust the Tax Code to provide greater tax equity, tax simplification, and so forth. This is not the road that Congress has gone down and as a consequence, at the moment, that is more an academic position than it is practical.

The remainder of this year, I think is not the time to raise taxes. We have an economy that is going to be slipping sideways in the rest of 1986 and to raise taxes to reduce the deficit just runs the risk of converting a slow growth period into something even worse.

Mr. Horton. Thank you, Mr. Chairman.

I want to thank all of you for your appearance and your testimony. Thank you very much.

Mr. Brooks. Mr. DeLay.

Mr. DeLay. Thank you, Mr. Chairman.

Boy, I could do this all day long. Unfortunately, I have got three meetings going on at the same time, and I know your time constraints. It is unfortunate that we cannot continue this discussion.

I Ask unanimous consent, Mr. Chairman, that I have the opportunity to place this statement in the record.

Mr. Brooks. Without objection.

[Mr. DeLay's opening statement follows:]

<STATEMENT OF MR. DELAY>

MR. CHAIRMAN, I COMMEND YOU FOR HOLDING THESE IMPORTANT HEARINGS TO DISCUSS AND REVIEW THE VITALLY IMPORTANT TRIGGER MECHANISM UNDER GRAMM-RUDMAN. AS WE LOOK AT OPTIONS TO REPLACE THE SEQUESTER PROCESS RULED UNCONSTITUTIONAL, WE MUST KEEP IN MIND THE PLEDGE WE MADE THE AMERICAN PEOPLE -- OUR CONSTITUENTS, AND FULFILL, WITHOUT COMPROMISE, THAT PROMISE. IT SEEMS TO ME THAT CONGRESS COULD NOT FIND A WAY TO CONTROL SPENDING UNTIL THE GRAMM-RUDMAN DEFICIT CONTROL MEASURE WAS CREATED. THE FIRST OF ITS KIND. AN UNPRECEDENTED VEHICLE THAT ASSISTS CONGRESS IN CUTTING THE LOOMING FEDERAL DEFICIT WHICH CONSTANTLY THREATENS THE INTEGRITY OF OUR ECONOMY. IT'S UNFORTUNATE THAT IT TOOK LEGISLATION THAT LITERALLY FORCES US TO CUT SPENDING TO FINALLY DO WHAT THE AMERICAN PEOPLE HAVE SENT US HERE TO DO AND TO DO WHAT THE CONSTITUTION CHARGES US TO DO.

SOME WOULD HAVE US BELIEVE THAT THERE IS ONLY ONE CULPRIT CAUSING THE DEFICIT -- THAT CULPRIT BEING DEFENSE SPENDING. BUT I KNOW THAT THE AMERICAN PEOPLE -- I KNOW THAT MY CONSTITUENTS KNOW THE TRUE STORY. SPENDING FOR SOCIAL PROGRAMS HAS RISEN TO MORE THAN $700 BILLION DOLLARS. IT IS ESSENTIAL THAT WE ACT ON SPENDING LEGISLATION WITH THE GRAMM RUDMAN TARGETS AS OUR GOAL. I FIRMLY BELIEVE IT IS FULLY WITHIN OUR REALM TO MAKE THE NEEDED CUTS AND REFORMS WITHOUT "DROPPING OUR GUARD" OR RAISING TAXES.

THERE HAVE BEEN NUMEROUS PROPOSALS TO ELIMINATE WASTEFUL AND UNNECESSARY PROGRAMS....BUT HAS CONGRESS FOUND THE WILL TO DO THIS?--- OF COURSE NOT. IF CONGRESS FINDS THE WILL, THE AMERICAN PEOPLE AND AMERICAN BUSINESSES WILL FIND CONFIDENCE IN THE CONGRESS AND THE ECONOMY. THANK YOU ONCE AGAIN, MR. CHAIRMAN, FOR HOLDING THESE HEARINGS SO THAT WE CAN GET A BETTER IDEA OF THE OPTIONS WE WILL BE PRESENTED WITH TO CUT SPENDING IN ORDER TO REDUCE OUR HORENDOUS FEDERAL DEFICIT.

Mr. **DeLay**. Thank you.

I know that time is getting short, so I do not want to get into a very lengthy discussion. I just, in my own simple Texas mind, I need to clarify some things, especially what you said Mr. Chimerine.

Did I hear you correctly to say that Government spending is not—huge Government spending is not—detrimental to the economy, that it does not affect the economy?

Mr. **Chimerine**. No; I did not say that. I would like to see Government spending as low as possible, consistent with the needs of providing certain services to the population, including maintaining a reasonable defense posture and providing for a safety net in various ways. So I am not for excessive Government spending.

All I am saying is that, in some areas, we have cut back as much as we want to go or should go. Second, the administration seems intent on having a large military buildup, some of which has been cut dramatically already by Congress. And third, there is a complete unwillingness by the Congress and the administration to address the real areas, which can be cut and should be cut, namely the entitlement programs.

I would like to see most of the entitlement programs made means-tested programs.

But the point I am making is that, if we decide we want to spend for these things, we have got to pay for them. It is ludicrous to believe we can keep spending and spending and building defense and maintaining Social Security and doing all of these things and not pay for them. And the way out that has been used in the last 3 or 4 years, as Don pointed out, are these ridiculously optimistic assumptions that the economy will bail us out—which anybody who can do arithmetic should have known was not going to happen.

If we want to spend what we are spending, we have to pay for it. If we want to cut what we are spending, let us cut it. But we cannot have it both ways.

Mr. **DeLay**. Well, I think that may be a good point in your statement that the decision to cut spending is important as you just said and the decision to raise revenue as well. Is not Gramm-Rudman-Hollings a decision to cut spending?

Mr. **Chimerine**. It is a decision to cut spending, but in my judgment there are two major flaws. First, I do not think equal, across the board, spending cuts—particularly when you have taken Social Security out of the picture—is the appropriate way to set priorities on the spending side.

Second, I do not think it is appropriate to make additional spending cuts in these programs if the economy underperforms in the short run and makes the deficit larger, because that will have an anticyclical impact that could make the economy worse and devastate some of these programs exactly at the time we need them. Some of these programs are most needed when the economy is weak.

So I have no objection, Congressman, about cutting spending, if that is the direction we want to go as a country. But I do not think Gramm-Rudman is the right tool by which to cut spending.

Mr. **DeLay**. Priorities in spending are really not a function of economics, are they?

Mr. CHIMERINE. I agree with you completely.

Mr. DELAY. So across-the-board cuts, and tell me where I am wrong—across-the-board cuts are necessary especially in light of the fact that for years Congress has not chosen to appoint itself to control its own spending.

Mr. CHIMERINE. Again, Congressman, I would disagree because I think some programs are more important than others. Some have more fat than others. And I would make another point.

I think you are being very hard on yourself, because in truth, there have been sizable budget cuts during the last several years. Unfortunately, the cost of the military and of the exploding interest on the national debt because of these unrealistic deficit predictions have, in effect, offset those spending cuts.

If you look at nondefense discretionary spending, particularly if you take out the entitlement programs, there have been major cuts during the past several years. So the problem is that I do not think the full problem was faced up to several years ago. We used optimistic economic assumptions to show future deficit reductions instead of making additional cuts or raising taxes when we should have. And now we have gotten ourselves in a severe mess.

And again, I do not think equal, across-the-board, cuts in all programs is the way to make rational spending decisions.

Mr. DELAY. I will have to give up.

Mr. BROOKS. The Chair recognizes the gentleman from North Carolina, Mr. Neal.

Mr. NEAL. Thank you, Mr. Chairman.

Did you all say that the general consensus for growth next year was about 2 percent? I know, Mr. Duncan, your projection is higher. But is it true that the consensus opinion is about 2 percent?

Mr. DUNCAN. Mr. Congressman, there is a survey of economists that is widely cited that includes about 51 economists. It is the Blue Chip Survey. And if you go through the Blue Chip Survey, two things have happened. One, the median and average have both declined as some of the more optimistic forecasters have trimmed back their estimates and the more pessimistic ones have become more pessimistic.

But if you look inside the 51, you find really two camps. You find a group that is generally more optimistic and a group that is very pessimistic. So there is a divided outlook. I do not think there is a powerful consensus as to exactly where the economy is going.

Mr. NEAL. So I guess you are saying there are two consensus?

Mr. CHIMERINE. I think, Congressman, that if you averaged the pessimistic with the optimistic you still fall far short of the 4-percent number that is being used—or at least was used—in the budget calculations. Somewhat better than we have recently experienced, I guess would be a good way to put it.

Mr. NEAL. If I can, another quick question.

Mr. Chimerine, you said something like you do not think that we can continue to allow Asian and other countries to peg their currencies to the dollar. How do we stop them? We cannot dictate their own fiscal policies can we?

Mr. CHIMERINE. Well, you are right. It cannot be done unilaterally. It is going to have to involve bilateral discussions between us and those countries. And the real nub of the problem, Congressman, is that we are competing with 12 cents an hour labor.

Mr. **Neal.** Right. That is a different question, though.

Mr. **Chimerine.** No, it relates to it because exchange rates, in theory, are supposed to reflect those differences. It was not as serious a problem 10 or 15 years ago because these countries did not possess mass production techniques. They were way behind in technology. But with the globalization of the economic environment and with shifting our own production over there, we are giving them the mass production techniques and the technology.

And given the enormous difference in labor costs between the United States and many of those countries, there is an enormous imbalance in exchange rates. And yes, I think it can only be addressed on a bilateral basis. But if it does not change, we will see a continued widening of the deficit with Korea and these other countries, repeating our own experience with Japan over the last 10 years. All we are going to be doing is shifting our trade problems to different countries.

And the time to start looking at what we can do about it is now, before we start reaching $50 billion trade deficits with those countries.

Mr. **Neal.** I am not quite certain you can do what you are suggesting. You cannot negotiate their wage rates up and we certainly are not going to reduce ours. You cannot negotiate—I guess what you are suggesting are changes in their fiscal policy?

Mr. **Chimerine.** No, I think it is partly a policy issue, partly a pegged exchange rate issue.

Mr. **Neal.** You want to go to managed exchange rates?

Mr. **Chimerine.** They are managed now. I want to go to managed exchange rates at different rates.

Mr. **Neal.** Well, they are managed now by the marketplace are they not, essentially?

Mr. **Chimerine.** In many of those countries they are fixed. Those currencies do not float, in many cases, the same way——

Mr. **Neal.** They are pegged to the dollar.

Mr. **Chimerine.** That is correct.

Mr. **Neal.** But at a cost to the economy. I mean the only way they can do that ultimately is to be willing to do whatever it takes on their fiscal side to accomplish that, which often means huge deficits in their fiscal accounts and so on.

Mr. **Chimerine.** In some cases.

Mr. **Brooks.** Let me give you an example. The fixed rate of exchange in a given country might be 10 to 1 and the black market rate might be 100 to 1. That means that they are not floating it. They are fixing the rate.

Mr. **Neal.** No, that means that the market is making a——

Mr. **Brooks.** And it costs us a piece of our life.

Mr. **Chimerine.** Congressman, it is a very complex issue. You are right to point it out and I did not mean to oversimplify it earlier. All I am saying is if current exchange rates continue as they are with those countries, our trade deficit is going to worsen dramatically. And whether we wait for the marketplace to do something about it or whether we ask them or put pressure on them to change their domestic policies or directly intervene in exchange markets or pursue any other options, I think now is the time to start looking at those options.

Mr. **STRASZHEIM**. Mr. Congressman, if I could add to that. I think this discussion points out that the problem is not merely a bilateral problem and if, in fact, we argue that the key problem for United States trade is Japan, I think we are missing the point.

Increasingly what we will see is the trade shifting, as Mr. Chimerine has suggested and simply a migration from the problem being Japan in the early 1980's to Korea in the 1990's or Taiwan or wherever. And that is going to be a fundamental issue which will face the Congress for a long, long period of time because their wages are so much lower.

Wages, as a share of national income, are between two-thirds and three-fourths of total national income in virtually every country in the world, rich or poor, developed or undeveloped. And as a consequence, as their wages remain low relative to ours, we will have this continued problem.

Mr. **NEAL**. You want to wrap it up. That is fine.

I certainly appreciate you all being here.

Thank you, Mr. Chairman.

Mr. **BROOKS**. DioGuardi has arrived. You have one question.

Mr. **DIOGUARDI**. Thank you, Mr. Chairman. I appreciate even one question.

Mr. **BROOKS**. He is an economist, a statistician.

Mr. **DIOGUARDI**. No, I am not, I am a certified public accountant. There are not many of us around here in the legislative branch. And that is the question I want to direct to Mr. Chimerine because I have read your testimony and I see that you are concerned about the rachet-down effect of Gramm-Rudman, that because of the deteriorating signs that you see, it may be that although Gramm-Rudman will work, that it may be too fast.

I want to pose a different question to you. You are dealing with a concept. Are you sure that, in all of your economic planning, you are dealing with the right data base? My biggest concern is the lack of quality of reporting mechanisms I see here. An accounting system is being used that tells me that half of economic reality is really off the books around here. Have you ever thought of that?

Mr. **CHIMERINE**. Yes; no more than five or six times a day.

There is no question that the economic data are not completely reliable. In my judgment, they are less reliable now than they used to be. And as a result, I am not going to insult you by telling you that GNP next quarter will be this and the quarter after will be that—we cannot measure GNP well on a quarterly basis, for reasons you are obviously alluding to.

But one thing I am pretty confident of, over the last year or two, is that the general trend that is being exhibited by the data we have is fairly accurate, because I get the same kind of information directly from the companies out there. Second, I believe that right now, it is quite weak.

And third, a look at the underlying fundamentals tells me that we are looking at modest economic growth, and that it is going to be very, very tough, to have the sustained 4 percent plus real growth that the budget keeps assuming. We should have learned that lesson already, but we may not have.

Your point about the quality of the data is well taken, but I am not sure it invalidates the general observations we have made.

Mr. **DioGuardi**. OK, Mr. Chairman. That means we have got to change it and I do have a bill, as you know, called the Federal Financial Management Improvement Act 1986, to change the accounting systems here, so that we take the Government off this cash basis, which is disguising economic reality.

Mr. **Chimerine**. Yes, that is true, but you are still going to get a very large deficit by historical standards and you are still going to find that Federal borrowing, relative to available savings and relative to new credit being generated, is enormous.

Mr. **DioGuardi**. I agree with you. It probably will be worse than we are seeing right now. But I say we have got to see it in order to plan for it.

Mr. **Brooks**. Thank you very much, Mr. DioGuardi.

This morning, gentleman, we have heard some rather unsettling news as to the precarious situation of our Nation's economy. Nobody can say for certain that we are headed into a recession, but it is apparent that many are holding their breath in dreaded anticipation of a slowing down. At the very least, the economic signs point toward sluggish growth in the near term.

The one thing that people are willing to say is that this year's Federal deficit is likely to be one of the biggest deficits, if not the biggest, this Nation has ever seen. And this is after $11.7 billion were cut out of the Federal budget in March pursuant to a Gramm-Rudman-Hollings sequestration order. To make matters worse, the prospects for reducing next year's Federal deficit do not look much better.

As we enter the first full year of operating under the provisions of Gramm-Rudman-Hollings, it is obvious that the law is based on an unstable technical foundation. As the witnesses made clear this morning, economic forecasts are not precision tools that can be used to lock in on Federal deficits. The best they can do is give us an idea of what is likely to happen and, as we learned today, they do not paint a very pretty picture of what is in store for the Nation in the months to come.

This hearing is adjourned. But prior to that, I want to say that I have been delighted and much impressed with the outstanding testimony of the panel. I am deeply grateful to your coming down here and making a contribution to what, hopefully, will be the beginning a realization of the facts facing the Congress and the American people, so we can then decide how to proceed.

Thank you very much.

[Whereupon, at 11:38 a.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

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APPENDIX

MATERIAL SUBMITTED FOR THE RECORD

Departments and Agencies
To Whom Questionnaires Were Sent

Record of Responses
(as of July 31, 1986)

Responses Received
(only completed and partially completed questionnaires printed here)

Department/Agency	Completed Questionnaire	Partially Completed Questionnaire	Other	No Response Received	Comments
Department of Agriculture	X				
Department of Commerce				X	
Department of Defense				X	
Department of Education		X			Did not answer questions 4 & 5
Department of Energy			X		Require additional time to prepare response.
Department of Health & Human Services			X		Require additional time to prepare response.
Department of Housing and Urban Development		X			Did not answer questions 4 & 5 in detail.
Department of Interior		X			Require additional time to complete 2 & 3. Not prepared to answer 4 & 5.
Department of Justice				X	

Department/Agency	Completed Questionnaire	Partially Completed Questionnaire	Other	No Response Received	Comments
Department of Labor		X			Require additional time complete 3, 4, & 5.
Department of State				X	
Department of Transportation				X	
Department of the Treasury		X			Require additional time to complete 4 & 5; data on 3 would have to be extracted from FY 87 Budget Submission.
ACTION	X				
Advisory Commission on Intergovernmental Relations				X	
Central Intelligence Agency			X		Declined to provide information due to highly classified budget.
Commission on Civil Rights	X				
Commodity Futures Trading Commission	X				
Consumer Product Safety Commission	X				
Council of Economic Advisors	X				
Council on Environmental Quality				X	

Department/Agency	Completed Questionnaire	Partially Completed Questionnaire	Other	No Response Received	Comments
Environmental Protection Agency		X			Did not answer questions 4 & 5.
Equal Employment Opportunity Commission				X	Acknowledged receipt of quesionnaire; preparing response.
Export-Import Bank of the United States	X				
Federal Communications Commission	X				
Federal Deposit Insurance Corporation	X				
Federal Election Commission	X				
Federal Emergency Management Agency	X				
Federal Home Loan Bank Board	X				
Federal Labor Relations Authority	X				
Federal Maritime Commission	X				
Federal Mediation and Conciliation Service	X				
Federal Reserve System			X		Not covered by G-R-H Act
Federal Savings and Loan Insurance Corporation	X				Included in FHLBB response.

Department/Agency	Completed Questionnaire	Partially Completed Questionnaire	Other	No Response Received	Comments
Federal Trade Commission	X				
Foreign Claims Settlement Commission	X				
U.S. General Accounting Office	X				
General Services Administration		X			Did not answer 5; unprepared at this time to identify necessary action
Harry S. Truman Memorial Scholarship Foundation	X				
Interstate Commerce Commission	X				
Legal Services Corporation				X	
Merit Systems Protection Board	X				
National Aeronautics and Space Administration				X	
National Archives and Records Administration	X				
National Credit Union Administration		X			Unable to complete questions 4 & 5 as presented.
National Endowment for the Arts	X				
National Endowment for the Humanities	X				

Department/Agency	Completed Questionnaire	Partially Completed Questionnaire	Other	No Response Received	Comments
National Labor Relations Board	X				
National Mediation Board	X				
National Oceanic and Atmospheric Administration				X	
National Railroad Passenger Corporation (AMTRAK)		X			Did not answer questions 4 & 5.
National Science Foundation	X				
National Transportation Safety Board	X				
Nuclear Regulatory Commission		X			Did not answer questions 4 & 5 in detail.
Assistant Secretary for Occupational Safety and Health				X	
Office of Federal Procurement Policy	X				
Office of Management and Budget	X				
Office of Personnel Management	X				
Office of the United States Trade Representative				X	
Overseas Private Investment Corporation	X				

Department/Agency	Completed Questionnaire	Partially Completed Questionnaire	Other	No Response Received	Comments
Pension Benefit Guaranty Corporation				X	
Postal Rate Commission			X		Not covered by G-R-H Act.
Railroad Retirement Board				X	
Securities and Exchange Commission	X				
Selective Service System	X				
Small Business Administration				X	
Tennessee Valley Authority				X	
U.S. Arms Control and Disarmament Agency	X				
United States Information Agency	X				
United States International Trade Commission		X			Did not answer questions 4 & 5.
U.S. Mint	X				Included in Treasury response.
U.S. Postal Service	X				
Veterans Administration		X			Did not answer questions & 5.
TOTALS	39	12	5	17	

SAMPLE for Non-Defense Agencies (same questionnaire sent to DOD with different percent cuts for questions 4 and 5--were 5.4 and 8.3 instead of 7.3 and 11.8)

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency____________________________________

a)_____delay procurements:
    I)_____noncapital acquisitions: # delayed__________
        total $ amount_______
    II)_____capital acquisitions: # delayed__________
        total $ amount__________

b)_____restrict travel: total $ amount__________
    % of total travel budget__________

c)_____restrict training: total $ amount__________
    % of total training budget__________

d)_____freeze hiring: duration in months__________
    if not affecting whole agency, specify the components affected____________________
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced__________
        # & % of temporary employees reduced__________
        # & % of other employees reduced__________

e)_____furlough: # of days__________
    # of people affected__________
    % of workforce involved__________

f)_____rif: # of people affected__________
    % of workforce involved__________

g)_____retire early: # of people affected__________
    % of workforce involved__________

h)_____delay maintenance and repairs: # of projects__________
    total $ amount__________

i)_____close field locations (specify where):________________________________

j)_____reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I)_____inspections: amt. & % reduced__________
    II)_____audits: amt. & % reduced__________
    III)_____technical assistance: amt. & % reduced_______
    IV)_____other (specify)________: amt. & % reduced_____

k)_____reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I)_____grants: amt. & % reduced__________
    II)_____loans: amt. & % reduced__________
    III)_____other (specify)________: amt. & % reduced_____

l)_____raise user fees (specify component, program, and amount of increase in each):__________________________

m)_____other (provide details):________________________

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency_____________________________

Estimated amount of reduction_________________

a)_____delay procurements:
    I)_____noncapital acquisitions: # delayed__________
        total $ amount_______
    II)_____capital acquisitions: # delayed__________
        total $ amount__________
b)_____restrict travel: total $ amount__________
    % of total travel budget__________
c)_____restrict training: total $ amount__________
    % of total training budget__________
d)_____freeze hiring: duration in months__________
    if not affecting whole agency, specify the components affected__________________
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced__________
        # & % of temporary employees reduced__________
        # & % of other employees reduced__________
e)_____furlough: # of days__________
    # of people affected__________
    % of workforce involved__________
f)_____rif: # of people affected__________
    % of workforce involved__________
g)_____retire early: # of people affected__________
    % of workforce involved__________
h)_____delay maintenance and repairs: # of projects__________
    total $ amount__________
i)_____close field locations
    (specify where):_____________________________
j)_____reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I)_____inspections: amt. & % reduced__________
    II)_____audits: amt. & % reduced__________
    III)_____technical assistance: amt. & % reduced_______
    IV)_____other (specify)__________: amt. & % reduced_____
k)_____reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I)_____grants: amt. & % reduced__________
    II)_____loans: amt. & % reduced__________
    III)_____other (specify)__________: amt. & % reduced_____
l)_____raise user fees (specify component, program, and amount of increase in each):____________________________
m)_____other (provide details):____________________________

5. Assuming a government-wide sequester in Fiscal Year 1987 of $[illegible]0 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency ______________________ ______

Estimated amount of reduction___________________

a)_____delay procurements:
I) ____noncapital acquisitions: # delayed_ _________
total $ amount________
II)_____capital acquisitions: # delayed__________
total $ amount__________
b)_____restrict travel: total $ amount__________
% of total travel budget__________
c)__ __restrict training: total $ amount__________
% of total training budget__________
d)_____freeze hiring: duration in months__________
if not affecting whole agency, specify the
components affected________________ ___
resultant reduction in workforce
because of attrition:
& % of permanent employees
reduced__________
& % of temporary employees
reduced__________
& % of other employees
reduced__________
e)_____furlough: # of days__________
# of people affected__________
% of workforce involved__________
f)____rif: # of people affected_____ ____
% of workforce involved_ _________
g)_____retire early: # of people affected_________
% of workforce involved__________
h)_____delay maintenance and repairs: # of projects__________
total $ amount__________
i)_____close field locations
(specify where):_______________________________
j)_____reduce service to the public (specify component and
program and give amount and percent of reduction in
each):
I)____inspections: amt. & % reduced__________
II)____audits: amt. & % reduced__________
III)_____technical assistance: amt. & % reduced________
IV)_____other (specify)_________: amt. & % reduced_____
k) __reduce benefits available to the public (specify component
and program and give amount and percent of reduction
in each):
I)_____grants: amt. & % reduced__________
II)_____loans: amt. & % reduced__________
III)_____other (specify)_________: amt. & % reduced_____
l)_____raise user fees (specify component, program, and amount
of increase in each):__________________________
m)_____other (provide details):________________ ________

JUL 29 1986

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

July 24 1986

RECEIVED
2 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

Honorable Jack Brooks
Chairman, Committee on
Government Operations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

In response to your request of June 26, we asked each individual agency within the Department of Agriculture to complete your questionnaire. Enclosed is a consolidation of the agencies' reports on the impact of Gramm-Rudman-Hollings reductions for 1986 and 1987. Many USDA programs took a 4.3 percent cut as a result of the February/March sequestration order. This reduction was absorbed by delaying procurements, restricting travel and training, and reducing benefits available to the public. Hiring freezes, furloughs, or RIF's were imposed in only a few agencies.

The Emergency Supplemental (P.L. 99-349, approved July 2, 1986) provided additional funding for many of our programs. These are listed by accounts on the enclosed table.

Your request also asked for information on the potential impact of 1987 sequesters at possible 7.3% and 11.8% levels. This information is also attached.

If you need additional information or clarification, you may contact Steve Dewhurst, USDA Budget Officer on 447-3323.

Sincerely,

Peter Myers

PETER C. MYERS
Deputy Secretary

Enclosure

United States Department of Agriculture
Balanced Budget and Emergency Deficit Control Act of 1985
(Budget Authority in Thousands of Dollars)

Agency/Account	Account Number	Sequester Order	Additional Funding
Agricultural Research Service:			
Agricultural Research Service	121400	-21,494	
Buildings and Facilities	121401	-271	
Trust Funds	128214	0	
Total, ARS		-21,765	
Cooperative State Research Service	121500	-12,534	5,000
Extension Service	120502	-14,738	
National Agricultural Library	120300	-485	
Agricultural Stab. & Conser. Service:			
Agricultural Conservation Program	123315	-8,121	
Emergency Conservation Program	123316	0	5,000
Forestry Incentives Program	123336	-534	
Water Bank Program	123320	-376	
Rural Clean Water Program	123337	0	
Dairy Indemnity Program	123314	-4	9,000
Salaries and Expenses	123300	-1,473	71,598
Total, ASCS		-10,508	85,598
Foreign Agricultural Service	122900	-3,571	
Office of Inter. Cooperation & Devel.:			
Office of Inter. Cooperation & Devel..	123200	-232	
Scientific Activities Overseas	121404	-128	
Trust Funds	128232	0	
Total, OICD		-360	
Commodity Credit Corporation	124336	-823,126	
P.L. 480	122274	-55,864	
Soil Conservation Service:			
Conservation Operations	121000	-15,620	
River Basin Surveys & Investigations .	121069	-637	
Watershed Planning	121066	-381	
Watershed & Flood Prevention Operation	121072	-9,920	36,700
Great Plains Conservation Program	122268	-920	
Resource Conservation & Development ..	121010	-1,125	
Trust Funds	128210	0	
Total, SCS		-28,603	36,700

Agency/Account	Account Number	Sequester Order	Additional Funding
Farmers Home Administration:			
Agricultural Credit Insurance Fund ...	124140	-65,446	
Rural Housing Insurance Fund	124141	-49,914	-3,000
Rural Development Insurance Fund	124155	-18,290	
Rural Housing for Domestic Farm Labor	122004	-427	
Very-Low Income Housing Repair Grants	122064	-534	2,000
Mutual & Self-Help Housing	122006	-342	
Rural Water & Waste Disposal Grants ..	122066	-4,915	
Rural Community Fire Protection Grants	122067	-139	
Miscellaneous Expiring Approriations .	129912	0	
Rural Housing Preservation Grants	122070	-860	
Compensation for Construction Defects	122071	-32	
Self-Help Housing Land Develop. Fund .	124222	0	
Rural Rental Assistance Payments	122002	0	1,000
Salaries & Expenses	122001	-16,041	
Total, FmHA		-156,940	0
Rural Electrification Administration:			
Salaries & Expenses	123100	-1,325	
RETRF-Reimbursement for Losses	123101	0	
Rural Elec. & Tele. Revolving Fund ...	124230	0	
Rural Telephone Bank-Capital Stock ...	123102	-1,290	
Rural Telephone Bank	124231	-7,955	
Rural Communication Development Fund .	124142	0	
Total, REA		-10,570	
Office of Rural Development Policy	120801	0	
Federal Crop Insurance Corporation:			
Administrative & Operating Expenses ..	122707	-9,418	
Federal Crop Insurance Corp. Fund	124085	0	
Subscription to Capital Stock	122708	0	
Total, FCIC		-9,418	
Food and Nutrition Service:			
Food Stamp Program	123505	-2,568	
Nutrition Assistance for Puerto Rico .	123550	0	
Child Nutrition Programs	123539	-144	
Special Milk Program	123502	0	
Food Prg. for Women, Infants, Children	123510	-86	
Commodity Supplemental Food Program ..	123512	0	
Needy Family Program	123503	-2,426	
Nutrition Program for Elderly	123503	-5,890	8,500
Food Program Administration	123508	-3,526	
Total, FNS		-14,640	8,500
Section 32	125209	-16,199	
Temporary Emergency Food Assistance Prg.	123635	-2,137	2,437
Human Nutrition Information Service	123501	-580	

Page 3

Agency/Account	Account Number	Sequester Order	Additional Funding
Federal Grain Inspection Service	122400	-301	
Animal & Plant Health Inspection Service:			
Salaries and Expenses	121600	-13,519	11,100
Buildings and Facilities	121601	-182	
Trusts Funds	129971	-100	
Total, APHIS		-13,801	11,100
Food Safety and Inspection Service:			
Salaries and Expenses	123700	-15,569	3,700
Trust Funds	128137	-35	
Total, FSIS		-15,604	3,700
Agricultural Marketing Service:			
Marketing Services	122500	-1,371	
Payments to States & Possessions	122501	-42	
Perishable Agri. Commodities Act Fund	125070	-144	
Trust Funds	129972	-3,189	
Total, AMS		-4,746	
Agricultural Cooperative Service	123000	-201	
Office of Transportation	122800	-105	
Packers & Stockyards Administration	122600	-393	80
Economic Research Service:			
Economic Research Service	121701	-1,982	
Trust Funds	128227	0	
Total, ERS		-1,982	
Statistical Reporting Service:			
Statistical Reporting Service	121801	-2,525	
Trust Funds	128218	0	
Total, SRS		-2,525	
World Agricultural Outlook Board	122100	-72	
Office of the Secretary	120115	-248	
Departmental Administration	120120	-662	
Rental Payments	120117	-2,262	
Building Operations	120117	-784	
Advisory Committees	120118	-57	
Office of Budget and Program Analysis	120120	-162	
Office of Governmental & Public Affairs	120130	-330	
Office of the Inspector General	120900	-1,999	
Office of the General Counsel	122300	-678	
Working Capital Fund	124609	0	
Gifts & Bequests-Trust Funds	128203	0	
Total, Excluding Forest Service		-1,228,950	153,115

Page 4

Agency/Account	Account Number	Sequester Order	Additional Funding
Forest Service:			
Forest Research	121104	-5,398	
State & Private Forestry	121105	-2,478	161
National Forest System	121106	-45,077	165,700
Construction	121103	-9,568	1,700
Land Acquisition		-1,210	4,436
Special Accounts		-416	
Permanent Funds		-16,106	
Trust Funds		-6,489	
Total, FS		-86,742	171,997
TOTAL		-1,315,692	325,112
FFB Activity:			
Farmers Home Administration:			
ACIF	127103	-83,420	
RHIF	124141	-49,000	
RDIF	127105	-679	
Total, FmHA, FFB Activity		-133,099	
REA	127002	-1,462	
Total, FFB Activity		-134,561	
TOTAL, USDA		-1,450,253	325,112

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency U.S. Department of Agriculture (Dollars in Millions)

a) X delay procurements:
  I) X noncapital acquisitions: # delayed _____
    total $ amount $12.8
  II) X capital acquisitions: # delayed _____
    total $ amount $24.4
b) X restrict travel: total $ amount $8.4
  % of total travel budget _____
c) X restrict training: total $ amount $2.2
  % of total training budget _____
d) X freeze hiring: duration in months 3-12
  if not affecting whole agency, specify the components affected SCS, AMS, FGIS, OIG, OGC, OGPA, OP, ARS, APHIS, OT
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 1900 2%
    # & % of temporary employees reduced _____) Combined
    # & % of other employees reduced _____) 700 5%
e) _____ furlough: # of days _____
  # of people affected _____
  % of workforce involved _____
f) _____ rif: # of people affected 50
  % of workforce involved /
g) _____ retire early: # of people affected 180
  % of workforce involved .2%
h) _____ delay maintenance and repairs: # of projects 2260
  total $ amount 7.1
i) _____ close field locations (specify where): _____
j) _____ reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) _____ inspections: amt. & % reduced $1.2 25% for FSIS
  II) _____ audits: amt. & % reduced $.9 4% for PSA
  III) _____ technical assistance: amt. & % reduced $17.4
  IV) _____ other (specify) a/ : amt. & % reduced $3.5
k) _____ reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) _____ grants: amt. & % reduced $59.0
  • II) _____ loans: amt. & % reduced $391.5
  III) _____ other (specify) _____ : amt. & % reduced $320.1
l) _____ raise user fees (specify component, program, and amount of increase in each): _____
m) _____ other (provide details): $10.1

-2-

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Department of Agriculture

Estimated amount of reduction $2,742.8

a) X delay procurements:
  I) ____ noncapital acquisitions: # delayed ____
  total $ amount $15.0
  II) ____ capital acquisitions: # delayed ____
  total $ amount $28.3
b) X restrict travel: total $ amount $10.6
  % of total travel budget ____
c) X restrict training: total $ amount $3.2
  % of total training budget ____
d) X freeze hiring: duration in months 3-12
  if not affecting whole agency, specify the components affected 2/3 of the Department
  resultant reduction in workforce because of attrition:
  # & % of permanent employees reduced 5,000 5%
  # & % of temporary employees reduced ____) Combined
  # & % of other employees reduced ____) 6400 42%
e) X furlough: # of days 21-24
  # of people affected 21,400
  % of workforce involved 22%
f) X rif: # of people affected 1,500
  % of workforce involved 1%
g) X retire early: # of people affected 80
  % of workforce involved ____
h) X delay maintenance and repairs: # of projects 75
  total $ amount $7.4
i) X close field locations
  (specify where): 60--Decisions not yet made on locations
j) X reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) ____ inspections: amt. & % reduced $2.4
  II) ____ audits: amt. & % reduced $ .5
  III) ____ technical assistance: amt. & % reduced $27.4
  IV) ____ other (specify) a/ : amt. & % reduced $5.5
k) X reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) ____ grants: amt. & % reduced $68.5
  II) ____ loans: amt. & % reduced $685.0
  III) ____ other (specify) b/ : amt. & % reduced $538.2
l) X raise user fees (specify component, program, and amount of increase in each): ____
m) X other (provide details): c/ $6.4

a/ Contractual Services, Renatl Payments.
b/ Reduce data publication, collection, research.
c/ Reduce payments, cooperative agreements, communications, renatls, utilities.

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

(Dollars in Millions)

Department/agency Department of Agriculture

Estimated amount of reduction $4,476.5

a) X delay procurements:
    I) ____ noncapital acquisitions: # delayed ____
        total $ amount $23.6
    II) ____ capital acquisitions: # delayed ____
        total $ amount $16.5
b) X restrict travel: total $ amount $11.6
    % of total travel budget ____
c) X restrict training: total $ amount $3.7
    % of total training budget ____
d) X freeze hiring: duration in months 3-12
    if not affecting whole agency, specify the components affected Same as page 2, Question 4
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced 6,300
        # & % of temporary employees reduced ____
        # & % of other employees reduced ____
        Combined 7,800 52%
e) X furlough: # of days 5-45
    # of people affected 35,600
    % of workforce involved 33%
f) X rif: # of people affected 3,000
    % of workforce involved 3%
g) X retire early: # of people affected 1,000
    % of workforce involved .9%
h) X delay maintenance and repairs: # of projects 11,000
    total $ amount $21.7
i) X close field locations
    (specify where): 230--Locations have not been determined
j) X reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I) ____ inspections: amt. & % reduced $4.2
    II) ____ audits: amt. & % reduced $.8
    III) ____ technical assistance: amt. & % reduced $44.3
    IV) ____ other (specify) ____: amt. & % reduced $3.7
k) X reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I) ____ grants: amt. & % reduced $105.0
    II) ____ loans: amt. & % reduced $1,113.3
    III) ____ other (specify) ____: amt. & % reduced $870.3
l) X raise user fees (specify component, program, and amount of increase in each): ____
m) X other (provide details): $10.1

a/ Reduce Contractual Services, research, printing publications, notices, program reviews.

b/ Cooperative agreements.

c/ Reduce relocation transfers, overhead costs, reduction in commissions to MMA & administrative expense reimbursement to MPCI companies.

UNITED STATES DEPARTMENT OF EDUCATION
THE SECRETARY

JUL 17 1986

RECEIVED
JUL 17 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

Honorable Jack Brooks
Chairman, Committee on
Government Operations
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This is in response to your June 26 request for information regarding the effect of the Gramm-Rudman-Hollings (GRH) legislation on the Department of Education.

In general, the fiscal year 1986 GRH sequester has had a minimal effect on education in the United States. Department programs support less than seven percent of total education expenditures, and the reduction was from the $18.4 billion Federal share only. Thus, the 4.3 percent sequester — or $671 million — translates into a reduction of less than three-tenths of one percent of the $260 billion spent nationally on education from all State, local, and individual sources. The percentage reductions you ask about for 1987 would also have a relatively small effect for most education programs throughout the country because of the large amount of non-Federal funding.

Moreover, the economic policies of this Administration — keeping inflation low and promoting economic growth — have allowed State and local governments to devote more resources to education. Total education spending, adjusted for inflation, increased by about $22 billion — almost ten percent — between 1981-82 and 1984-85, and is expected to continue to grow in fiscal years 1986 and 1987.

For specific details of the impact of the 1986 sequester on Department of Education programs, I am enclosing a document entitled "Effect of Sequester Order, Fiscal Year 1986," which was prepared for the Appropriations Committees. It responds directly to your first question by providing data on each program administered by the Department. (Not reprinted here)

Your second question pertains to reprogrammings, transfers, and supplementals that subsequently provided additional funding. The Department of Education has not requested any reprogrammings from the Appropriations Committees in 1986. We did, however, exercise our Impact Aid authority to "borrow" funds to provide payments to local school districts to replace damaged facilities as a result of floods and hurricanes over the past year. This Disaster Assistance transfer of $20 million was made from unobligated balances in the College Housing Loans revolving fund. The Department received appropriations for two programs in the recently enacted Urgent Supplemental for fiscal year 1986: (1) $20 million for additional Disaster Assistance under Impact Aid; and (2) $140 million for the Pell Grant student financial assistance program. Neither of these supplementals was requested by the Administration. In the case of Impact Aid, the $20 million was not needed since adequate funds remained in the College Housing Loan program to make new loan commitments and to finance all operating expenses. In the case of Pell Grants, existing funds were already targeted on the neediest students so that no student should have been prevented from attending college as a result of this program's funding level.

Your third, fourth, and fifth questions asked for numerous details that relate primarily to our Salaries and Expenses budgets for fiscal years 1986 and 1987. Our actions in 1986 to effect the 4.3 percent sequester are described in the enclosure to this letter. With regard to fiscal year 1987, my staff are examining many of the same questions you have raised as they develop operating plans and budget submissions for the fall, and it would be premature to suggest that decisions have been made. You can be assured that, in the event of a sequester in 1987, we will do everything possible to maintain operations and to carry out our legal responsibilities with the least amount of disruption for educational services and for our employees.

I hope this information will be helpful to you in preparing for your hearing. If you need clarification or further details, please contact Sally Christensen (245-1937) or Therese Martin (472-4880).

Sincerely,

William Bennett

William J. Bennett

Enclosures

DEPARTMENT OF EDUCATION

Effect of FY 1986 Sequester on Salaries and Expenses

The Department of Education established an operating principle that basic operations should be maintained, employees should be protected as much as possible, and discretionary spending should be curtailed. The following bullets conform as closely as possible to question 3, sub-questions "a" through "m".

- o Procurements planned for automatic data processing services were cut by $5 million, or approximately 12 percent.
- o Travel was cut by approximately $1 million, or about 30 percent.
- o Training was cut by $600 thousand, or 66 percent.
- o Hiring was not frozen, although tight employment ceilings were issued to allow managers some flexibility while providing incentives for reductions related to productivity improvements.
- o No one was furloughed, and no furlough is anticipated as of now.
- o No budget-driven reductions-in-force have occurred or are planned.
- o Approximately 80 people will take advantage of voluntary, early-out retirement this year through the discontinuation of service method approved by OPM. However, most of these retirements will occur so late in the fiscal year that any budget savings will be minimal.
- o Maintenance and repair budgets were held to the most necessary expenses.
- o No field locations or regional offices were closed.
- o Basic services to the public are provided through implementing the programs authorized by the Congress. All legal responsibilities were fulfilled.
- o User fees were not raised, but we continued to provide copies of most Department documents and materials through the Government Printing Office which charges for them. The only other fee we have is a program-related origination fee for the Guaranteed Student Loan program. The Gramm-Rudman-Hollings legislation increased it by one half of one percent for each loan, which amounts to $12.50 for a maximum loan of $2,500.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-3000

OFFICE OF THE ASSISTANT SECRETARY
FOR ADMINISTRATION

July 16, 1986

RECEIVED
JUL 2[illegible] 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

Honorable Jack Brooks
Chairman, Committee on
  Government Operations
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

In response to your letter of June 26, 1986, addressed to Secretary Pierce, we have completed the questionnaire you enclosed on the impact of Gramm-Rudman-Hollings on Departmental operations. The questionnaire is enclosed with this letter.

Albert J. Kliman, the Departmental Budget Officer, can answer any further questions you may have. Mr. Kliman can be reached on 755-7296.

Sincerely,

Donald J. Keuch, Jr.
Donald J. Keuch, Jr.
Deputy Assistant Secretary

Enclosure

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration. (The list is attached)

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding. (The list is attached)

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency U.S. Department of Housing and Urban Development

a) x delay procurements:
I) X noncapital acquisitions: # delayed N/A
total $ amount $209,000
II) ____ capital acquisitions: # delayed ____
total $ amount ____
b) x restrict travel: total $ amount $1,222,000
% of total travel budget 8.7%
c) x restrict training: total $ amount $650,000
% of total training budget 26.8%
d) x freeze hiring: duration in months 5 Months
if not affecting whole agency, specify the components affected ____
resultant reduction in workforce because of attrition:
& % of permanent employees reduced 522 4.6%
& % of temporary employees reduced 317 48.0%
& % of other employees reduced 20 12.9%
e) ____ furlough: # of days 0
# of people affected 0
% of workforce involved 0
f) ____ rif: # of people affected 0
% of workforce involved 0
g) ____ retire early: # of people affected 0
% of workforce involved 0
h) ____ delay maintenance and repairs: # of projects 0
total $ amount 0
i) ____ close field locations
(specify where): 0
j) ____ reduce service to the public (specify component and program and give amount and percent of reduction in each): "See Attached"
I) ____ inspections: amt. & % reduced ____
II) ____ audits: amt. & % reduced ____
III) ____ technical assistance: amt. & % reduced ____
IV) ____ other (specify) ____: amt. & % reduced ____
k) x reduce benefits available to the public (specify component and program and give amount and percent of reduction in each): "See Attached"
I) ____ grants: amt. & % reduced ____
II) ____ loans: amt. & % reduced ____
III) ____ other (specify) ____: amt. & % reduced ____
l) ____ raise user fees (specify component, program, and amount of increase in each): ____
m) ____ other (provide details): ____

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency U.S. Department of Housing and Urban Development

Estimated amount of reduction Budget Authority would be reduced by $1,049 million.
(See Attached Sheets)

a)_____delay procurements:
I)_____noncapital acquisitions: # delayed__________ total $ amount_______
II)_____capital acquisitions: # delayed__________ total $ amount__________

b)_____restrict travel: total $ amount__________ % of total travel budget__________

c)_____restrict training: total $ amount__________ % of total training budget__________

d)_____freeze hiring: duration in months__________
if not affecting whole agency, specify the components affected__________________
resultant reduction in workforce because of attrition:
& % of permanent employees reduced__________
& % of temporary employees reduced__________
& % of other employees reduced__________

e)_____furlough: # of days__________
# of people affected__________
% of workforce involved__________

f)_____rif: # of people affected__________
% of workforce involved__________

g)_____retire early: # of people affected__________
% of workforce involved__________

h)_____delay maintenance and repairs: # of projects___________ total $ amount___________

i)_____close field locations (specify where):______________________________

j)_____reduce service to the public (specify component and program and give amount and percent of reduction in each): "See Attached"
I)_____inspections: amt. & % reduced__________
II)_____audits: amt. & % reduced__________
III)_____technical assistance: amt. & % reduced_________
IV)_____other (specify)_________: amt. & % reduced_____

k)_____reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
I)_____grants: amt. & % reduced__________
II)_____loans: amt. & % reduced__________
III)_____other (specify)_________: amt. & % reduced_____

l)_____raise user fees (specify component, program, and amount of increase in each):_________________________

m)_____other (provide details):_________________________

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency U.S. Department of Housing and Urban Development

Budget Authority would be reduced

Estimated amount of reduction by $1,696 million.

(See Attached Sheets)

a)_____delay procurements:

I)_____noncapital acquisitions: # delayed__________

total $ amount__________

II)_____capital acquisitions: # delayed__________

total $ amount__________

b)_____restrict travel: total $ amount__________

% of total travel budget__________

c)_____restrict training: total $ amount__________

% of total training budget__________

d)_____freeze hiring: duration in months__________

if not affecting whole agency, specify the components affected__________

resultant reduction in workforce because of attrition:

& % of permanent employees reduced__________

& % of temporary employees reduced__________

& % of other employees reduced__________

e)_____furlough: # of days__________

# of people affected__________

% of workforce involved__________

f)_____rif: # of people affected__________

% of workforce involved__________

g)_____retire early: # of people affected__________

% of workforce involved__________

h)_____delay maintenance and repairs: # of projects__________

total $ amount__________

i)_____close field locations

(specify where):__________

j)_____reduce service to the public (specify component and program and give amount and percent of reduction in each):

I)_____inspections: amt. & % reduced__________

II)_____audits: amt. & % reduced__________

III)_____technical assistance: amt. & % reduced__________

IV)_____other (specify)__________: amt. & % reduced__________

k)_____reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):

I)_____grants: amt. & % reduced__________

II)_____loans: amt. & % reduced__________

III)_____other (specify)__________: amt. & % reduced__________

l)_____raise user fees (specify component, program, and amount of increase in each):__________

m)_____other (provide details):__________

ATTACHMENT
(Questions 1 and 2)

ACCOUNTS IMPACTED BY GRAMM-RUDMAN-HOLLINGS IN 1986

(Dollars in Thousands)

	IDENTIFICATION NUMBER	1986 BUDGET RESOURCES	SEQUESTRATION a/	ADDITIONAL FUNDING	TOTAL 1986 BUDGET RESOURCES AVAILABLE
Subsidized Housing Programs......	86-0164	$9,965,608	$428,521	...	$9,537,087
Congregate Services Program......	86-0178	2,670	115	...	2,555
Housing Counseling Assistance....	86-0156	3,462	149	...	3,313
Manufactured Home Inspection and Monitoring.................	86-5271	6,032	259	...	5,773
Interstate Land Sales............	86-5270	800	34	...	766
Federal Housing Administration Fund:					
(Guaranteed Loan Limitation)b/.	86-4070	60,000,000	2,580,000	84,080,000	141,500,000
(Direct Loan Limitation).......	86-4070	88,241	3,794	...	84,447
(Administrative Expenses)......	86-4070	251,404	10,810	21,365	261,959
Housing for the Elderly or Handicapped (Loan Limitation)b/	86-4115	631,033	27,134	...	603,899
Budget Authority...............	86-4115	3,905	168	...	3,737
Rental Housing Assistance Fund b/.........................	86-4041	27,500	1,183	...	26,317
Nonprofit Sponsor Assistance (Loan Limitation) b/...........	86-4042	1,000	43	...	957
Payments for Operations of Low-Income Housing Projects........	86-0163	1,210,600	52,056	...	1,158,544
Guarantees of Mortgage-Backed Securities (Federal Credit Commitment Level)b/............	86-4238	68,250,000	2,934,750	109,684,600	174,999,850

	IDENTIFICATION NUMBER	1986 BUDGET RESOURCES	SEQUESTRATION a/	ADDITIONAL FUNDING	TOTAL 1986 BUDGET RESOURCES AVAILABLE
		(Dollars in Thousands)			
Assistance for Solar and Conservation Improvements (Administrative Expenses)......	86-0179	$286	$12	...	$274
Community Development Block Grants......................	86-0162	3,124,800	134,366	...	2,990,434
(Guaranteed Loan Limitation)...	86-0162	222,525	9,569	...	212,956
Urban Development Action Grants........................	86-0170	330,000	14,190	...	315,810
Urban Homesteading................	86-0171	11,868	510	...	11,358
Rehabilitation Loan Fund - Section 312 (Gross Loan Obligations) b/................	86-4036	85,000	3,655	...	81,345
Research and Technology..........	86-0108	16,900	727	...	16,273
Fair Housing Assistance Program........................	86-0144	6,626	285	...	6,341
Salaries and Expenses............ (Including Transfers from other Accounts)	86-0143	597,268	25,741	30,000	601,527

a/ All sequestrations are a reduction of 4.3 percent.

b/ Not Budget Authority.

NOTE: Budget Resources should not be added to a total because they represent different types of authority.

Attachment to Gramm-Rudman-Hollings Questionnaire

Question #3, subquestions j-l: There was undoubtedly some reduction in service to the public and in public benefits as a result of FY 1986 sequestration of HUD funds. But the reduction is difficult to quantify, beyond the level of detail specified for each program account in the answer to question #1. Where sequestration reduced available funds for entitlement grants, for example, the number of grants was not reduced, but the funding for each grant was reduced in the same percentage as funding for the whole account was reduced.

In addition to the required sequestration, Departmental operations were also affected by other funding constraints: rescission and deferral proposals, policy determinations, and market demand for our programs all affected program delivery, nearly simultaneously. We did not attempt to track the exclusive effects of the sequestrations on program operations.

Questions #4 and 5, all subquestions: Under either of these assumptions for sequestering in FY 1987, we would clearly have to take more drastic steps to reduce our administrative costs and to cut back on program activity to a much greater extent than we did in 1986. It is not possible at this time to say precisely what those steps might be, except to presume that the effects would be exacerbated in proportion to the increase in sequestration, and that we would be required to spread the effects equally to all sequestered programs.

All estimates are preliminary.

As you know, the President has submitted a budget for FY 1987 that sought to make additional sequestrations unnecessary.

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

JUL 1 1 1986

RECEIVED
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HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

Honorable Jack Brooks
Chairman, Committee on
Government Operations
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Thank you for your letter of June 26 to Secretary Hodel requesting information on the effect of the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177).

The enclosed document provides the answer to your first question, and we should be able to answer your second question within the next week. With respect to question three, it is necessary to consult with the Department's field units to obtain a satisfactory reply. I would anticipate a response to you by the end of July.

The Department is not now prepared to answer questions four and five. The Supreme Court's recent decision in Bowsher v. Synar makes the nature and level of FY 1987 budget reductions entirely speculative at this time. Moreover, the percentage reductions contemplated by your questions would require detailed policy decisions of the type that could only occur over several months when FY 1987 appropriations levels are known.

Please contact me (343-6182) or Tony Itteilag (343-5308), the Department's Budget Director, if you would like to discuss this further.

Sincerely,

Gerald R Riso
Assistant Secretary - Policy,
Budget and Administration

Enclosure not reprinted here.

U.S. DEPARTMENT OF LABOR
SECRETARY OF LABOR
WASHINGTON, D.C.

July 11, 1986

RECEIVED
[illegible] 1 [illegible] 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

The Honorable Jack Brooks
Chairman
Committee on Government Operations
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This is a partial response to your letter of June 26 in which you request information about the impact of the 1986 Gramm-Rudman-Hollings sequestration process on the Department of Labor, as well as anticipated impacts of the Fiscal Year 1987 process.

The detail contained in Question 3 pertaining to 1986 effects will require some time to adequately address, particularly as regards specific classes of expenditure. In addition, we are presently working with the Office of Management and Budget to establish the baseline figures on which to base the 1987 snapshot of the budget deficit. We expect to be completed soon, but we are unable to fully address Questions 4 and 5 regarding 1987 impact until we have finished our work on the baseline. For these reasons, we are unable to meet your request for return of the information by July 11.

We are able to provide answers to Questions 1 and 2, regarding overall impact of the February/March 1986 sequestration. These answers are found in Enclosures 1 and 2.

It is our estimate that the remaining data will be available within three weeks. I hope that this meets with your approval.

Very truly yours,

WILLIAM E. BROCK

WEB:wcc

Enclosures not reprinted here.

DEPARTMENT OF THE TREASURY
WASHINGTON

ASSISTANT SECRETARY

RECEIVED

JUL 1 4 1986

HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

July 14, 1986

Dear Mr. Chairman:

This is in response to your June 26, 1986 letter to Secretary Baker requesting information regarding the impact of Gramm-Rudman-Hollings (G-R-H) on the Department of Treasury.

Your letter requested information regarding the impact of G-R-H for FY 1986, as well as questionnaires proposing two hypothetical funding reductions for FY 1987. Enclosed are responses to your questions regarding FY 1986.

Enclosure 1 provides the Committee with the Department's transmittal to the Speaker of the House on the G-R-H reductions by account. Enclosure 2 is information on supplemental funding received by the Department for FY 1986. Enclosure 3 includes the detailed G-R-H reduction justification materials, by account, that we provided to the Appropriations Committee as part of our FY 1987 Budget Submission.

However, since the information you requested for FY 1987 is not readily available and is based on two hypothetical situations, we will require additional time to respond to this aspect of your request. We anticipate that this additional information will be provided to the Committee by July 21, 1986.

If your staff has questions regarding the Department's response, please call Stephen R. Colgate, Director, Office of Finance at 566-2825.

Sincerely,

J. Michael Hudson
Assistant Secretary
(Legislative Affairs)

The Honorable Jack Brooks
Chairman
Committee on Government Operations
House of Representatives
Washington, D.C. 20515

Enclosures

DEPARTMENT OF THE TREASURY
WASHINGTON

ASSISTANT SECRETARY

February 1, 1986

Dear Mr. Speaker:

On behalf of Secretary Baker, and at the direction of the President, I am transmitting the Program, Project, and Activity Detail for the Department of the Treasury required under P.L. 99-177.

Sincerely,

John P. W. Rogers
Assistant Secretary
of the Treasury (Management)

The Honorable Thomas P. O'Neill, Jr.
Speaker of the House
of Representatives
Washington, D.C. 20515

Enclosures

Page 1 of 1

PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency: Department of the Treasury

Account Title: Departmental Offices, Salaries and Expenses

Account ID Code: 15-05-0101-X-1-803-A; 20-0101

Source: P.L. 99-190

	Budgetary Resources	
Account Title	Base	Sequester
Salaries and Expenses	54,274	2,334

No programs, projects, or activities

Page 1 of 1

PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency: Department of the Treasury

Account Title: Departmental Offices, International Affairs

Account ID Code: 15-05-0171-X-1-803-A; 20-0101

Source: P.L. 99-190

Account Title	Budgetary Resources Base	Budgetary Resources Sequester
International Affairs	22,442	965

No programs, projects, or activities

Page 1 of 1

PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency:	Department of the Treasury, Office of Revenue Sharing
Account Title:	Office of Revenue Sharing, Salaries and Expenses
Account ID Code:	15-07-0107-X-1-851-A; 20-0107
Source:	Public Law 99-160

Account Title	Budgetary Resources	
	Base	Sequester
Salaries and Expenses	7,714	332

No programs, projects, or activities

Page 1 of 1

PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency:	Department of the Treasury, Office of Revenue Sharing
Account Title:	Office of Revenue Sharing, State and Local Government Fiscal Fund Assistance Trust Fund
Account ID Code:	15-07-8111-X-7-851-A; 20-811
Source:	Public Law 99-160

	Budgetary Resources	
Account Title	Base	Sequester
State and Local Government Fiscal Fund Assistant Trust Fund	4,185,000	179,955

No programs, projects, or activities

Page 1 of 1

PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency:	Department of the Treasury, Bureau of Engraving and Printing
Account Title:	Bureau of Engraving and Printing Bureau of Engraving and Printing Fund
Account ID Code:	15-20-4502-X-4-803-A; 20-4502
Source:	House Report 99-450

	Obligation Limitation*	
Account Title	Base	Sequester
Administrative Expenses	36,491	1,570

Per pages 343-344 of House Report 99-450, the Bureau of Engraving and Printing is exempt from the definition of "program, project, and activity" under section 255(g)(1) of Public Law 99-177.

* Revolving fund without obligation limitation.

Page 1 of 1

PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency: Department of the Treasury

Account Title: U.S. Mint, Salaries and Expenses

Account ID Code: 15-25-1616-X-1-803-A; 20-1616

Source: P.L. 99-190

Account Title	Budgetary Resources	
	Base	Sequester
Salaries and Expenses	46,500	2,000

No programs, projects, or activities

PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency: Department of the Treasury

Account Title: U.S. Mint, Offsetting Collections

Account ID Code: 15-25-1616-X-1-803-A; 20-1616

Source:

Account Title	Budgetary Resources Base	Budgetary Resources Sequester
Offsetting Collections	100,691	4,330

No programs, projects, or activities

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PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency: Bureau of the Public Dept and Savings Bonds Division

Account Title: Administering the Public Debt

Account ID Code: 15-35-0560-X-1-803-A; 20-0560

Source: Senate Report 99-133; House Report 99-210; Conference Report 99-349; P.L. 99-190

Account Title	Budgetary Resources	
	Base	Sequester
Administering the Public Debt	195,225	8,395

No programs, projects, or activities

PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency: Department of the Treasury, U.S. Customs Service

Account Title: U.S. Customs Service Salaries and Expenses

Account ID Code: 15-15-0602-X-1-751-A; 20-0602

Source: P.L. 99-190

Account Title	Budgetary Resources Base	Budgetary Resources Sequester
Salaries and Expenses	717,000	30,831
Reimbursable program (401(c) Authority Offsetting Collections)	67,705	2,911
TOTAL	784,705	33,742

No programs, projects, or activities

Page 1 of 1

PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency: U.S. Customs Service

Account Title: Operations and Maintenance, Air Interdiction Program

Account ID Code: 15-15-0604-X-1-751-A; 20-0604

Source: House Report 99-210, Senate Report 99-133

	Budgetary Resources	
Account Title	Base	Sequester
Operations and Maintenance, Air Interdiction Program	75,000	3,225

No programs, projects, or activities

Page 1 of 1

PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency:	U.S. Customs Service
Account Title:	Miscellaneous Permanent Appropriations
Account ID Code:	15-15-9922-X-2-852-A;20-9922
Source:	Appendix, Budget of the United States Government, Fiscal Year 1986

	Budgetary Resources	
Account Title	Base	Sequester
Miscellaneous Permanent Appropriations	105,000	4,515

No programs, projects, or activities

PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency:	U.S. Customs Service
Account Title:	Refunds, Transfers, and Expenses; Unclaimed, Abandoned and Seized Goods
Account ID Code:	15-15-8789-X-7-803-A; 20-8789
Source:	Appendix, Budget of the United States Government, Fiscal Year 1986

Account Title	Budgetary Resources Base	Budgetary Resources Sequester
Refunds, Transfers, and Expenses; Unclaimed, Abandoned and Seized Goods	2,886	124

No programs, projects, or activities

Page 1 of 1

PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency: U.S. Customs Service

Account Title: Customs Forfeiture Fund

Account ID Code: 15-15-5693-X-2-803-A; 20-5693

Source: House Report 99-210

Account Title	Budgetary Resources	
	Base	Sequester
Customs Forfeiture Fund	8,000	344

No programs, projects, or activities

Page 1 of 1

PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency:	Department of the Treasury
Account Title:	U.S. Secret Service, Salaries and Expenses
Account ID Code:	15-55-1408-X-1-751-A; 20-1408
Source:	P.L. 99-190

	Budgetary Resources	
Account Title	Base	Sequester
Salaries and Expenses	294,000	12,642

No programs, projects, or activities

Page 1 of 1

PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency:	Department of the Treasury, Bureau of Alcohol, Tobacco and Firearms
Account Title:	Bureau of Alcohol, Tobacco and Firearms Salaries and Expenses
Account ID Code:	15-12-1000-X-1-751-A; 20-1000
Source:	P.L. 99-190

Account Title	Budgetary Resources	
	Base	Sequester
Federal Alcohol Administration Act	15,000	645
All other	159,212	6,846
TOTAL	174,212	7,491

No programs, projects, or activites

Page 1 of 1

PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency: Federal Financing Bank

Account Title: Federal Financing Bank

Account ID Code: 15-11-4521-X-4-803-A; 20-4521

Source: Appendix, Budget of the United States Government, Fiscal Year 1986

Account Title	Budgetary Resources Base	Budgetary Resources Sequester
Federal Financing Bank, Administrative Expenses	2,000	86

No programs, projects, or activities

Page 1 of 1

PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency: Financial Management Service

Account Title: Salaries and Expenses

Account ID Code: 15-10-1801-X-1-803-A; 20-1801

Source: Senate Report 99-133; House Report 99-210; Appropriation Conference Report 99-349; H.R. 3036

Account Title	Budgetary Resources Base	Budgetary Resources Sequester
Financial Management Service, Salaries and Expenses	244,621	10,519

No programs, projects, or activities

Page 1 of 1

PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency: Department of the Treasury

Account Title: IRS Salaries and Expenses

Account ID Code: 15-45-0911-X-803-A

Source: House Reports 99-210 and 99-349; Senate Report 99-133; H.R. 3036

	Budgetary Resources	
Account Title	Base	Sequester
Salaries and Expenses	94,000	4,042

No programs, projects, or activities

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PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency:	Department of the Treasury
Account Title:	IRS Processing Tax Returns
Account ID Code:	15-45-0912-X-1-803-A
Source:	House Reports 99-210 and 99-349; Senate Report 99-133; H.R. 3036

	Budgetary Resources	
Account Title	Base	Sequester
Processing Tax Returns	1,065,000	45,795

No programs, projects, or activities

Page 1 of 1

PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency: Department of the Treasury

Account Title: IRS Examinations and Appeals

Account ID Code: 15-45-0913-X-1-803-A

Source: House Reports 99-210 and 99-349; Senate Report 99-133; H.R. 3036

Account Title	Budgetary Resources	
	Base	Sequester
Examinations and Appeals	1,419,451	61,036

No programs, projects, or activities

Page 1 of 1

PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency:	Department of the Treasury
Account Title:	IRS Investigation, Collection, and Taxpayer Service
Account ID Code:	15-45-0914-X-1-803-A
Source:	House Reports 99-210 and 99-349; Senate Report 99-133; H.R. 3036

Account Title	Budgetary Base	Resources Sequester
Tax Counseling for the Elderly	2,200	95
Investigation, Collection and Taxpayer Service	1,062,125	45,671
TOTAL	1,064,325	45,766

PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency:	Department of the Treasury
Account Title:	Internal Revenue Collections for Puerto Rico
Account ID Code:	15-45-5737-X-2-852-A
Source:	House Reports 99-210 and 99-349; Senate Report 99-133; H.R. 3036

Account Title	Budgetary Resources Base	Budgetary Resources Sequester
Internal Revenue Collections for Puerto Rico	245,000	10,535

No programs, projects, or activities

Page 1 of 1

PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency:	Federal Law Enforcement Training Center
Account Title:	Salaries and Expenses
Account ID Code:	15-08-0104-X-1-751-A; 20-0104
Source:	Senate Report 99-133; House Report 99-210; Conference Report 99-349; P.L. 99-190

Account Title	Budgetary Resources Base	Budgetary Resources Sequester
Salaries and Expenses	17,803	766
Dormitory Construction	6,000	258
TOTAL	23,803	1,024

Page 1 of 1

PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency:	Department of the Treasury
Account Title:	Comptroller of the Currency, Assessment Funds
Account ID Code:	15-57-8413-X-8-376A; 20-8413
Source:	H.R. 99-450

Account Title	Obligation Limitation*	
	Base	Sequester
Assessment Funds	198,200	8,522

* Revolving fund without obligation limitation.

FILE: 86APP
UPDATED: 6/27/86
PREPARER: GEHRINGER

DEPARTMENT OF THE TREASURY
FY 1986 APPROPRIATIONS TRACKING
(Dollars in Thousands)

										CONGRESSIONAL ACTION ON PROPOSED SUPPLEMENTAL					
APPROPRIATED ACCOUNTS DATE:	1985 ACTUAL APPROP.	FY 1986 CONTINUING RESOLUTION PL 99-190	G-R-H	PROPOSED RESCISSION	PROPOSED SUPP'S	FY 1986 PROPOSED LEVEL	CONG. ACTION (RESCISS.)	CURRENT FY 1986 LEVELS	HOUSE FULL COMM. MARK	HOUSE FLOOR ACTION 5/8/86	SENATE FULL COMM. MARK 5/15/86	SENATE FLOOR ACTION 6/5/86	HOUSE & SEN. CONFERENCE ACTION 6/19/86	FINAL APPROP.
Departmental Offices	78,930	76,716	(3,299)	0	0	73,417	0	73,417			(912)	(912)	0	73,417
Revenue Sharing	7,841	7,714	(332)	0	0	7,382	0	7,382					0	7,382
Fed. Law Enf. Trng. Ctr.	18,341	23,803	(1,024)	(4,976)	0	17,803	4,976	22,779					0	22,779
Financial Mgmt. Serv.	246,251	244,621	(10,519)	0	0	234,102	0	234,102					0	234,102
Alc., Tob. & Firearms	172,113	174,212	(7,491)	0	0	166,721	0	166,721			500	500	500	167,221
U.S. Customs Service														
Salaries and Expenses	669,734	717,000	(30,831)	(4,169)	0	682,000	4,169	686,169	30,831	30,831	30,831	30,831	30,831	717,000
Aircraft Oper. & Maint.	55,425	75,000	(3,225)	(19,275)	0	52,500	19,275	71,775	3,225	3,225			3,225	75,000
Forfeiture Fund	6,000	8,000	(344)	0	0	7,656	0	7,656					0	7,656
Airport User Fee Fund	0	75	0	0	0	75	0	75					0	75
Subtotal, Customs	731,159	800,075	(34,400)	(23,444)	0	742,231	23,444	765,675	34,056	34,056	30,831	30,831	34,056	799,731
Engraving and Printing	0	0	(1,569)1/	0	0	0	0	0					0	0
Bureau of the Mint	47,671	46,500	(2,000)	0	0	44,500	0	44,500					0	44,500
Admin. the Public Debt														
Public Debt	181,019	177,996	(7,654)	0	0	170,342	0	170,342					0	170,342
Savings Bonds Division	17,733	17,229	(741)	0	0	16,488	0	16,488					0	16,488
Subtotal, PD	198,752	195,225	(8,395)	0	0	186,830	0	186,830	0	0	0	0	0	186,830
Internal Revenue Service														
Salaries and Expenses	115,410	94,000	(4,042)	0	0	89,958	0	89,958					0	89,958
Processing Tax Returns	1,019,402	1,065,000	(45,795)	0	194,564	1,213,769	0	1,213,769	194,564	194,564	194,564	194,564	194,564	1,408,333
Examination and Appeals	1,377,122	1,419,451	(61,036)	0	68,706	1,427,121	0	1,427,121	68,706	68,706	68,706	68,706	68,706	1,495,827
Invest., Coll.	1,071,763	1,064,325	(45,766)	0	76,730	1,095,289	0	1,095,289	76,730	76,730	76,730	76,730	76,730	1,172,019
Subtotal, IRS	3,583,697	3,642,776	(156,639)	0	340,000	3,826,137	0	3,826,137	340,000	340,000	340,000	340,000	340,000	4,166,137
U.S. Secret Service	292,649	294,000	(12,642)	0	0	281,358	0	281,358					0	281,358
Comp. of the Currency	0	0	(8,522)1/	0	0	0	0	0					0	0
Total, Treasury Bureaus	5,377,404	5,505,642	(236,741)	(28,420)	340,000	5,580,481	28,420	5,608,901	374,056	374,056	370,419	370,419	374,556	5,983,457

1/ These are non-add items because these G-R-H reductions are not budget authority, but obligations for administrative expenses.

Departmental Offices, Salaries and Expenses

Impact of FY 1986 Gramm-Rudman-Hollings Budget Reduction

The Gramm-Rudman-Hollings Act is resulting in a reduction of $3,299,000 for Departmental Offices below the FY 1986 Continuing Resolution level of $76,716,000. The impact of this reduction will be:

- The underutilization or underfunding of at least 40 average positions in FY 1986. This will occur through the use of attrition and non-funding of average positions. This action will restrict office operations and the Departmental Offices' ability to perform its responsibilities in areas such as tax and economic policy, and international and domestic finance.
- The summer employment program will be reduced or eliminated.
- The level of travel will be curtailed.
- Representation expenditures will be reduced.
- Spending in other areas such as printing, supplies, building maintenance, research contracts and other services will be restricted.

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DEPARTMENT OF THE TREASURY
FEDERAL LAW ENFORCEMENT TRAINING CENTER

Impact of
FY 1986 Gramm-Rudman-Hollings Budget Reduction

- Impact on Bureau programs:

  The total Bureau reduction is $1,024,000. This reduction will be applied to the Dormitory Construction program.

- Effect on workload:

  Because the reduction is applied against the Dormitory Construction project, there is little effect on the Center's funded training workload.

- Effect on services:

  There will be minimal effect on the services provided by the Center. The Center will not construct a new dormitory and some students will continue to be housed in local commerical facilities.

- Effect on ability to fulfill Bureau mission:

  There is minimal effect on the Center's ability to fulfill its mission. However, the continuation of off-Center housing results in higher training costs to the Government.

Impact of
FY 1986 Gramm-Rudman-Hollings Budget Reduction

- o Description of Impact on Service Programs:

The G-R-H budget reduction (P.L. 99-177) for 1986 will affect budget activities as shown below:

- Financial Operations	$3,161,000
- Federal Finance	661,000
- Reimbursement for Banking Services	3,157,000
- Information Systems	3,540,000

- o Effect on Workload:
  - Staffing reduction of 50 positions may delay the processing of Governmentwide claims and accounting transactions;
  - Postponement of the Claims Application Redesign Project will delay development of compatible, standardized, and fully integrated software in the Regional Financial Centers;
  - Termination of the Capacity Planning Analysis for the headquarter computers will delay redesign of applications and projection of future growth in system needs.
- o Effect on Services:
  - Reductions in reimbursements to the Federal Reserve Banks may affect the Service's relationship with the Banks and, therefore, the quality of FRB services.
  - Development of vital data needed by Treasury, OMB, and CBO for financial decision-making will be delayed. This includes automated support for lead agency programs in cash and credit management, as well as Governmentwide financial systems and analysis methods.

- Effect on Ability to Fulfill Bureau Mission:
  - Delay in efforts to improve on the collection, delivery and reporting tied to Governmentwide programs;
  - Reduce resources devoted to compliance with OMB Circulars A-123 on Internal Control Reviews, A-71 on Computer Risk Analysis, and the Federal Managers' Financial Integrity Act.

BUREAU OF ALCOHOL, TOBACCO AND FIREARMS

IMPACT OF FY 1986 GRAMM-RUDMAN-HOLLINGS
BUDGET REDUCTIONS

- **Description of Impact on Bureau Programs:**

The G-R-H reductions will have a direct impact on all Bureau programs during FY 1986. ATF has attempted to minimize this impact by maintaining an adequate staffing level, focusing reductions on operational areas rather than personnel. Spending will be curtailed in tax collection services, equipment, travel, automation, permanent change of station moves, purchase of evidence, and other operational categories, including vehicle replacement and cash awards. The overall impact will culminate in the potential loss of revenue related to uncollected taxes and diminished public safety.

- **Effect on Workload:**

Reduced funding will require the Bureau to realign its workload priorities. Specifically, fewer complex investigations will be initiated. High priority on-site inspections of persons and businesses in various related industries will be conducted but will be less intensive.

- **Effect on Services:**

G-R-H reductions will reduce program efforts in the following areas in FY 1986:

- Administration of the Federal Alcohol Administration (FAA) Act;
- Enforcement of all alcohol and tobacco excise tax laws in selected areas, including:
    - *Reimbursement to IRS for special occupational tax services; issuance of renewals and receipts (tax stamps) issued to the public.
    - *Printing of State Laws and Published Ordinances - Firearms, resulting in firearms dealers seeking such materials from State/local governments.

Effect on Ability to Fulfill Bureau Mission:

Reducing operating funds by $7.5 million in FY 1986 will limit our existing equipment, mission travel and related investigative funding.

It should be pointed out that ATF has been involved with rebuilding its work force following the loss of large numbers of employees during the proposed abolishment of ATF in Fiscal Years 1982 and 1983. As a result, the cuts proposed by Gramm-Rudman-Hollings have been directed at operational funds rather than personnel, in order to minimize the effect on employee morale. Low morale has a detrimental impact on productivity and mission accomplishment.

U.S. CUSTOMS SERVICE

SUMMARY OF BUDGET ESTIMATES

FISCAL YEAR 1986

The Customs Service appropriation, as approved by the Congress in the Continuing Resolution (P.L. 99-190) for FY 1986, totals $800,075,000 and 14,042 average positions. Adjustments are proposed through a reduction pursuant to P.L. 99-177 and a proposed rescission as follows:

Proposed Adjustments:

(1) P.L. 99-177 -- In compliance with the 4.3 percent Gramm-Rudman reduction, the Salaries and Expenses, Air Program Operations and Maintenance, and Forfeiture Fund appropriations were cutback $34,400,000 and 777 average positions.

(2) Proposed Rescissions -- rescissions of $4,169,000 for Salaries and Expenses and $19,275,000 for Air Operations and Maintenance are included in support of the Administration's deficit reduction initiative.

The proposed authorized budget level for FY 1986 with the above proposals is $742,231,000 and 13,265 average positions for Customs operating appropriations.

FISCAL YEAR 1987

Consistent with the Administration's goal of reducing the Federal budget deficit and curtailing outlays in FY 1987, the Customs Service proposes an appropriation level of $756,065,000 -- a reduction of $44,010,000 from the level authorized in the FY 1986 Continuing Resolution and $13,834,000 above the proposed level requested for FY 1986.

To achieve the proposed appropriation level of FY 1987 and meet uncontrollable cost and workload increases, the Customs Service proposes to:

-- achieve savings from a selective hiring policy which will reduce staffing by 385 average positions ($9.7 million);

Impact of
FY 1986 Gramm-Rudman-Hollings Budget Reduction

- Description of impact on bureau programs:

  Command, control, communication and intelligence centers (C3I's): These centers will coordinate, integrate and centralize management and control of the various Customs enforcement assets to make optimal use of them. This will result in increased effectiveness of the Intelligence, Investigations, Aviation Interdiction and Marine Programs. The reduction will slow down the incremental buildup of these centers. Thus, the centers will not become fully operational in the originally planned time frame.

  Spares for the fleets: These are used for unscheduled replacement of major components. By having adequate spares on hand (based on analysis of determined need), Customs planned to decrease downtime for repairs, thereby allowing fullest utilization of aircraft. However, even with this reduction, aircraft will be utilized sufficiently for interdiction of drugs. Increased interdiction efforts have the potential to increase the accomplishments of the Investigations, Intelligence, Aviation Interdiction and Marine programs.

- Effect on workload:

  Workload, per se, will not be affected by the reductions.

- Effect on services:

  Increased effectiveness and efficiency will be hampered because the C3I Centers will not be functioning in the timeframe planned and because Customs will not have major spares on hand.

- Effect on ability to fulfill bureau mission:

  Because of the reductions, Customs will not be able to increase the Aviation Interdiction Program as rapidly as planned.

Air Operations and Maintenance

Air interdiction, aimed at reducing the availability of illegal drugs is a vital component of the federal war on drugs. Increasingly, drug smuggling organizations have access to huge sums of money to purchase well equipped aircraft to evade detection or to outrun interdiction efforts of Customs air units. Equipment and facilities obtained through this appropriation support the Aviation Interdiction Program's overall mission and objectives: the detection and apprehension of those involved in the smuggling of contraband by private aircraft; and the provision of assistance to other enforcement efforts of Customs and other agencies in the law enforcement community.

Aircraft currently operated by Customs include high speed jet interceptors equipped with radar and infrared detection sensors; long range trackers; high performance helicopters; single and multi-engine support aircraft; and P-3A airborne detection platforms. Aircraft are obtained through purchase, lease, or military loan and modified to meet Customs requirements. In addition to airborne radar, radar equipped aerostats provide additional detection and tracking capabilities. These assets are deployed chiefly along the Southern border of the United States. Customs believes that continued implementation of strong centralized management of these assets and the incremental buildup of C3I centers will result in optimal utilization and flexibility in the deployment of assets, thereby increasing the effectiveness of Customs response to the shifting, but ever increasing smuggling threat.

Strategies and Plans

Customs air strategy in FY 1986 and FY 1987 will be directed to achieving the following objectives: (a) nationwide coordination of assets in order to maximize limited resources; (b) continued development and exploitation of an effective tactical intelligence system; (c) developing a comprehensive database for threat analyses needed to improve program strategy, plans and tactics; and, (d) developing a command and control capability which integrates a system for pinpointing suspect aircraft for effective and rapid interception by Customs air units.

Impact of FY 1986 Gramm-Rudman-Hollings Budget Reduction

- Description of impact on bureau programs;

  The FY 1986 Gramm-Rudman cut of $1,570,000 in our administrative budget will not seriously affect the Bureau. The cut will be taken by deferring the acquisition of noncritical supplies and materials.

- Effect on workload;

  The cut will not seriously impact our workload.

- Effect on services;

  The budget cut will not seriously impact our services.

- Effect on ability to fulfill bureau mission;

  The FY 1986 Gramm-Rudman budget cut will not seriously impair the Bureau's ability to fulfill its mission to meet the currency and postage stamp requirements of the Federal Reserve and the U. S. Postal Service.

Salaries and Expenses, United States Mint

Impact of
FY 1986 Gramm-Rudman-Hollings Budget Reduction

- **Impact**: Production of domestic coins will be reduced from 16.240 billion to 14.6 billion coins.
- **Services**: Production at the lower level will not adversely impact the supply of coinage for the Nation's commerce.
- **Effect**: Because demand for coins has decreased from original estimates, there will be no adverse impact on the Mint's ability to fulfill its mission. Should demand for coins unexpectedly increase, the demand can be met from inventories.

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Bureau of the Public Debt
Impact of FY 1986 Gramm-Rudman-Hollings Budget Reduction

Description of Impact on Bureau Programs:

- The Federal Reserve Banks (FRBs) will not be fully reimbursed for the services which they perform as the fiscal agents of the Treasury Department. These services are performed for both the marketable and savings securities programs. In FY 1986 it is expected that the Banks will recover any unreimbursed costs by reducing by a like amount the profits which they return to the Treasury General fund.

- The fiscal agent relationship may be less effective if the Treasury Department does not directly pay for the services it receives. FRBs may assign a different priority to these services if they are not being directly paid to perform them.

Effect on Workload:

- Workloads for the Bureau, and specifically for FRBs as Treasury's fiscal agents, will continue to grow regardless of reductions in funding. It is anticipated that FRBs will continue to perform 100 percent of their requested workload in both marketable and savings securities.

- Timeliness of workload performance will depend upon FRBs assigning the same high priority to Treasury securities transactions regardless of the extent to which they are directly reimbursed by the Treasury Department.

Effect on Services:

- It is expected that FRBs will continue to provide all required marketable securities transaction services to commercial and individual investors, and also savings bonds processing services.

- Responsiveness of these services to the investing public will depend upon FRBs maintaining their current high priority.

Effect on Ability to Fulfill Bureau Mission:

- The Federal Reserve Banks play an integral role in the Bureau's mission. Continued service by the Banks in their fiscal agent capacity will depend upon their intention to continue their role under a different arrangement of reimbursement for the services, which in FY 1986 will include partial direct payment from the Bureau and partial self-reimbursement from their profits.

U. S. Savings Bonds Division

Impact of FY 1986 Gramm-Rudman-Hollings Budget Reduction

- **Description of impact on bureau programs:**

  Major program reductions include $476,000 for printing and distribution of promotional and advertising materials used by employers, financial institutions, etc.; $110,000 for planned ADP equipment; and $155,000 for the savings bonds film used in payroll savings campaigns.

- **Effect on workload:**

  The Division has determined that the Gramm-Rudman-Hollings budget reduction can be achieved in the most cost-effective manner if staff cuts are avoided. Therefore, there should be only a small increase in workload because some planned efficiencies due to automation will not be realized.

- **Effect on services:**

  -- Reduce current informational and educational materials that are printed and distributed to employers and financial institutions from the estimated 65 million pieces to 40 million pieces.

  -- Eliminate printing one flight of print media advertising completely and reduce distribution of remaining two flights. A flight of print media advertising includes radio and TV ads, outdoor and transit posters, and newspaper and magazine ads. The cutback in printing of advertising flights will reduce the current 8,500 daily and weekly newspapers which now receive savings bonds public-service advertisements to 3,500, and reduce consumer and trade magazines receiving ads from the current 3,500 to 1,100.

  -- Delay or cancel one third of the 10,000 FY 1987 planned campaigns in major accounts as a result of the reduced supply of printed promotional materials.

- **Effect on ability to fulfill agency mission:**

  -- Decrease in private sector voluntary support for the savings bonds program due to the delays and cancellations of FY 1987 savings bonds campaigns.

  -- Reduce 1986 sales of savings bonds by an estimated $150 million due to a loss of approximately 6% of of payroll savings sales originally anticipated.

Impact of
FY 1986 Gramm-Rudman-Hollings Budget Reduction

Description of impact on bureau programs:

The Gramm-Rudman-Hollings reduction to the Internal Revenue Service's budget for FY 1986 requires spending reductions in all four operating accounts. To accomplish the $156.6 million reduction in FY 1986, the following actions are being taken in many functions: restrict hiring; reduce administrative travel, overtime and discretionary training; freeze procurement of supplies, office equipment and furniture; suspend office alterations and use of outside contractors (management contracts, studies, tests, etc); and reduce selected ADP and systems modernization expenditures.

Effect on workload:

The impact of the Gramm-Rudman-Hollings reduction will fall heavily on administrative and support functions. The Service will continue to process tax returns, account for tax revenues and issue refunds and notices. The amount of revenue forecast ($ one billion) in the President's budget for the current year (FY 1986) should not be affected adversely, provided the program supplemental is approved as proposed.

Effect on services:

The Service intends to meet its basic responsibilities to the public to process returns and issue refunds timely and accurately. We will provide information and assistance to taxpayers to help them comply with the tax laws and to resolve their account questions or concerns.

Effect on ability to fulfill bureau mission:

Since the Gramm-Rudman-Hollings reductions for FY 1986 are not being applied against tax filing operations, and direct revenue-producing programs, the Internal Revenue Service should not be adversely affected in its ability to fulfill its basic mission, provided that the program supplemental is approved as proposed.

FISCAL YEAR 1986

The Secret Service appropriation, as approved by Congress in the Continuing Resolution (P.L. 99-190) totals $294,000,000, 4,325 permanent and 4,279 full-time-equivalent positions. The adjustments to that appropriation include (1) the Gramm-Rudman-Hollings Act (P.L. 99-177) and (2) additional unfunded positions authorized by the Office of Management and Budget.

PROPOSED ADJUSTMENTS:

(1) Gramm-Rudman-Hollings Act (P.L. 99-177) -- In keeping with the Administration's goal of reducing the Federal budget deficit by freezing spending in Fiscal Year 1986, the budget for the Secret Service proposes an appropriation level of $294,000,000, the amount authorized in the Continuing Resolution less $12,642,000 for the 4.3 percent Gramm-Rudman-Hollings reduction, or $281,358,000.

To achieve this reduction, the Service plans the following:

- Selective hiring practices for filling positions vacated through attrition will be implemented.
- Reduction to the number of planned permanent changes of station, limiting such authorizations only to relocations necessitated to staff managerial vacancies
- Across-the-board reduction to tuition and education budget
- Across-the-board reduction to office and technical supplies purchases
- Reduction in planned purchase of ammunition used by law enforcement personnel in training exercises/requalification
- Reduction in the planned replacement/replenishment of Uniformed Division uniforms/foul weather gear
- Cancellation of entire order for the replacement of law enforcement sedans, with the exception of a small number of commitments already made

- A reduction to the amount budgeted for the voice privacy program
- Across-the-board reduction to amounts allocated to recurring equipment needs, in the category of orders costing less than $25,000

(2) Additional Positions Authorized by the Office of Management and Budget -- In addition to the 4,325 permanent positions and the 4,279 full-time-equivalent positions approved in the Continuing Resolution, the Office of Management and Budget authorized 30 permanent and full-time-equivalent positions, without associated funding. This increases our position level to 4,355 permanent and 4,309 full-time-equivalent positions for Fiscal Years 1986 and 1987.

FISCAL YEAR 1987

In Fiscal Year 1987, the Secret Service will return to a normal level of operation by restoring the 4.3 percent reduction imposed by the Gramm-Rudman-Hollings Act in Fiscal Year 1986. The Fiscal Year 1987 budget totals $307,140,000, 4,355 permanent and 4,309 full-time-equivalent positions. (30 full-time-equivalent positions are unfunded)

The program increases in Fiscal Year 1987 total $16,537,000 which includes:

- $2,200,000 for increases in Technical Security
- $5,652,000 for the Candidate and Nominee Program
- $1,508,000 for the Pan American Games
- $500,000 for Protective Requirements
- $4,283,000 for increases in the ADP Program
- $1,580,000 for increases in the Communications Programs
- $114,000 for Protective Support
- and $700,000 for two armored limousines.

February 4, 1986

ACTION
WASHINGTON, D.C. 20525

OFFICE OF
THE DIRECTOR

July 11, 1986

RECEIVED
JUL 14 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

Honorable Jack Brooks
Chairman
Committee on Government Operations
U. S. House of Representatives
2157 Rayburn House Office Building
Washington, D. C. 20515

Dear Mr. Chairman:

Attached is our Agency's response to your request for information on the effect of Gramm-Rudman-Hollings on our operations for fiscal years 1986 and 1987.

We have attempted to answer your questionnaire as completely and accurately as possible, amplifying our responses as necessary on additional sheets. Because our Agency's operations are fairly unique in the Federal Government, with VISTA volunteers directly supported from headquarters and with grants supporting the efforts of community-based volunteers in several other programs, the impact of the statute has been difficult to assess with the indicators provided in your questionnaire. However, we feel that the amplification provided in the attachments will assist in explaining the impact of Gramm-Rudman-Hollings on our activities.

If you have any further questions about the attached materials, please contact the Agency's Budget Officer, Lowell B. Genebach, Jr., at 634-9137.

Sincerely,

Donna M. Alvarado

Donna M. Alvarado

Attachments.

FOSTER GRANDPARENT PROGRAM • YOUNG VOLUNTEERS IN ACTION • SENIOR COMPANION PROGRAM
RETIRED SENIOR VOLUNTEER PROGRAM • OFFICE OF VOLUNTEER LIAISON • VOLUNTEER DRUG USE PREVENTION PROGRAM
VIETNAM VETERANS LEADERSHIP PROGRAM • NATIONAL CENTER FOR SERVICE LEARNING

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration. (See attachment.)

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding. (See attachment.)

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency ACTION

a) _____ delay procurements:
I) _____ noncapital acquisitions: # delayed _____ total $ amount _____
II) _____ capital acquisitions: # delayed _____ total $ amount _____
b) x restrict travel: total $ amount $235,000 % of total travel budget 24.2%
c) x restrict training: total $ amount $1,075,000 % of total training budget 41.1%
d) x freeze hiring: duration in months (See attachment)
if not affecting whole agency, specify the components affected ---
resultant reduction in workforce because of attrition:
& % of permanent employees reduced 16; 3.3%
& % of temporary employees reduced 6; 27.3%
& % of other employees reduced ---
e) _____ furlough: # of days _____ # of people affected _____ % of workforce involved _____
f) _____ rif: # of people affected _____ % of workforce involved _____
g) _____ retire early: # of people affected _____ % of workforce involved _____
h) _____ delay maintenance and repairs: # of projects _____ total $ amount _____
i) _____ close field locations (specify where): _____
j) x reduce service to the public (specify component and program and give amount and percent of reduction in each):
I) _____ inspections: amt. & % reduced _____
II) x audits: amt. & % reduced $556,000; 73.5%
III) x technical assistance: amt. & % reduced $479,000; 39.7%
IV) _____ other (specify) _____: amt. & % reduced _____
k) x reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
I) x grants: amt. & % reduced $4,524,000; 4.3%
II) _____ loans: amt. & % reduced _____
III) _____ other (specify) _____: amt. & % reduced _____
l) _____ raise user fees (specify component, program, and amount of increase in each): _____
m) _____ other (provide details): _____

Attachment to page 1

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

   ACTION's budget account (number 44-0103-0-506) is titled "Operating Expenses, Domestic Programs." The February/March 1986 sequestration percentage was 4.3, applied equally to all activities, and resulted in a reduction in available funds of $6,505,000.

2. Please identify any of the budget accounts listed above that were subsequently provided with additional as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

   No additional funding has been made available to our account.

Notes to accompany question 3:

(c) Reductions in training affect ACTION staff, project sponsors and supervisors, and volunteers. The break-out of the reduction is as follows:

Volunteer, sponsor, grantee staff	-$1,040,000	(40.1%)
ACTION staff	- 35,000	(51.0%)
Total	-$1,075,000	(41.1%)

(d) The Agency has instituted a case-by-case review of hiring requests rather than an across-the-board freeze; this review process has been in place throughout the fiscal year.

(j) (II) The reduction affects audits of both closed and continuing grants conducted under contract by local CPA firms. Also affected are audits conducted by Agency staff through reductions in funds available for travel and per diem.

(III) Technical assistance provided by ACTION headquarters and field staff to grantees is affected by reductions in funds available for travel. Travel cuts also restrict the technical assistance provided by headquarters staff to Agency staff in regional and state offices.

(k) (I) While we have had to reduce the funds available for grants in all of our programs (see below), we have been able to retain volunteer numbers through (a) the use by grantees of carry-over funds from FY 1985, (b) reductions in costs not directly related to support of volunteers (brochures, recognition events), and (c) reductions in the amount-per-grant for our Voluntary Citizen Participation and Volunteer Demonstration Programs.

Attachment to page 1 - 2

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

(k) (I) Reductions in grant funds by program:

VISTA	-$ 209,000	-14.9%
Service-Learning Programs	- 64,000	- 7.0%
Voluntary Citizen Participation and Volunteer Demonstration	---	---
Retired Senior Volunteer Program	- 1,009,000	- 3.4%
Foster Grandparent Program	- 2,373,000	- 4.2%
Senior Companion Program	- 869,000	- 4.9%
Total	-$4,524,000	- 4.3%

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency ACTION

Estimated amount of reduction $10.569,086

a) _____ delay procurements:
  I) _____ noncapital acquisitions: # delayed _____
    total $ amount _____
  II) _____ capital acquisitions: # delayed _____
    total $ amount _____
b) X restrict travel: total $ amount $552,000
  % of total travel budget 90%
c) X restrict training: total $ amount $1,207,000
  % of total training budget 80%
d) X freeze hiring: duration in months 12
  if not affecting whole agency, specify the components affected ---
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 33; 7.0%
    # & % of temporary employees reduced 5; 30.0%
    # & % of other employees reduced 7; 100% (student aides)
e) X furlough: # of days 22
  # of people affected 437
  % of workforce involved 89.7%
f) _____ rif: # of people affected _____
  % of workforce involved _____
g) X retire early: # of people affected 50
  % of workforce involved 10.3%
h) _____ delay maintenance and repairs: # of projects _____
  total $ amount _____
i) _____ close field locations
  (specify where): _____
j) X reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) _____ inspections: amt. & % reduced _____
  II) X audits: amt. & % reduced $100,000; 50%
  III) X technical assistance: amt. & % reduced $290,800; 40%
  IV) _____ other (specify) _____ : amt. & % reduced _____
k) X reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) X grants: amt. & % reduced $7,468,000; 7.3%
  II) _____ loans: amt. & % reduced _____
  III) _____ other (specify) _____ : amt. & % reduced _____
l) _____ raise user fees (specify component, program, and amount of increase in each): _____
m) _____ other (provide details): _____

Attachment to page 2

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

Notes to accompany responses on page 2:

(c) The break-out of the reduction in training by the group affected is as follows:

Volunteer, sponsor, grantee staff	-$1,174,000	(79.5%)
ACTION staff	- 33,000	(100.0%)
Total	-$1,207,000	(80.0%)

(d) The figures in this response assume that the case-by-case review of staffing requirements currently used at ACTION is replaced by a total hiring freeze. We have been directed in reports issued by the Appropriations Committees to maintain a full complement of staff in our field offices and to keep all state and regional offices open. With a full freeze on hiring, we would probably by unable to maintain a fully-staffed field structure.

(e) A furlough of any more than 22 days (one work-month) would create significant problems in providing required suppport to volunteers and project sponsors in the field; the adverse affect would be greatest in the areas of VISTA payroll and grant processing and would also have a significant impact on staff payroll and on the scheduling of payments in accordance with the Prompt Payment Act. The affected staff includes everyone except the Agency's Presidential appointees (who are exempt from furlough) and those who are counted in (g), below.

(f) Reduction-in-force (RIF) is not considered a viable option because of the costs associated with terminating and relocating employees and with retained-rate pay. Savings realized from RIF are not usually realized until the following year.

(g) The savings represent the net difference of the salaries of potential retirees and lump sum leave payments due them. The assumption is that the retirement option would be acted upon in the first quarter of FY 1987 and that all those eligible to retire, both with and without "early out" authority, would do so.

(j) (II) A reduction of 50% in audits is considered very drastic, especially since timely audits can result in savings of current year funds or recovery of prior year funds to be returned to the Treasury.

(III) Technical assistance to grantee staff and project sponsors is critical to the effectiveness of volunteers in their communities. Trouble-shooting by technical staff from headquarters to field offices often resolves problems that could potentially have an adverse impact on financial and program management and on program development.

Attachment to page 2 - 2

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

(k) (I) While we were able to maintain volunteer levels in FY 1986 through the actions described in the attachment to page 1 (response to 3. k) I)), reductions below the FY 1986 level of grant funding in FY 1987 would result in reductions of volunteers as well since we would already have used all of the non-volunteer related resources to absorb the FY 1986 reductions. Funding reductions by program would be as follows:

VISTA	-$ 87,000	- 7.3%
Service-Learning Programs	- 62,000	- 7.3%
Voluntary Citizen Participation and Volunteer Demonstration	- 126,000	- 7.3%
Retired Senior Volunteer Program (RSVP)	- 2,063,000	- 7.3%
Foster Grandparent Program (FGP)	- 3,903,000	- 7.3%
Senior Companion Program (SCP)	- 1,227,000	- 7.3%
Total	-$7,468,000	- 7.3%

As a consequence of these reductions, programs would be affected as follows:

VISTA	-	172 volunteer service years
Service-Learning Programs	-	1,200 school-age volunteers
RSVP	-	26,870 volunteers
FGP	-	1,235 volunteer service years (affecting about 4,400 children with special needs)
SCP	-	380 volunteer service years (affecting approximately 1,300 frail elderly)

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency ACTION

Estimated amount of reduction $17,084,276

a) ____ delay procurements:
    I) ____ noncapital acquisitions: # delayed ____
        total $ amount ____
    II) ____ capital acquisitions: # delayed ____
        total $ amount ____
b) X restrict travel: total $ amount $582,000
    % of total travel budget 95%
c) X restrict training: total $ amount $1,357,000
    % of total training budget 90%
d) X freeze hiring: duration in months 12
    if not affecting whole agency, specify the components affected ---
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced 33; 7%
        # & % of temporary employees reduced 5; 30%
        # & % of other employees reduced 7; 100% (student aides)
e) x furlough: # of days 22
    # of people affected 437
    % of workforce involved 89.7%
f) ____ rif: # of people affected ____
    % of workforce involved ____
g) X retire early: # of people affected 50
    % of workforce involved 10.3%
h) ____ delay maintenance and repairs: # of projects ____
    total $ amount ____
i) ____ close field locations (specify where): ____
j) x reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I) ____ inspections: amt. & % reduced ____
    II) X audits: amt. & % reduced $150,000; 75%
    III) X technical assistance: amt. & % reduced $436,200; 60%
    IV) ____ other (specify) ____: amt. & % reduced ____
k) X reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I) X grants: amt. & % reduced $12,071,000; 11.8%
    II) ____ loans: amt. & % reduced ____
    III) ____ other (specify) ____: amt. & % reduced ____
l) ____ raise user fees (specify component, program, and amount of increase in each): ____
m) ____ other (provide details): ____

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

Notes to accompany responses on page 3:

(c) The break-out of the reduction in training by the group affected is as follows:

Volunteer, sponsor, grantee staff	-$1,324,000	(89.8%)
ACTION staff	- 33,000	(100.0%)
Total	-$1,357,000	(90.0%)

Responses to (d), (e), (f), and (g) are based on the same assumptions as in the attachment to page 2.

(j) (II) and (III)

A reduction of 75% in audits and 60% in technical assistance would seriously jeopardize the Agency's ability to carry out its oversight and financial management responsibilities.

(k) (I) Grant reductions by program would be as follows:

VISTA	-$ 140,000	-11.8%
Service-Learning Programs	- 100,000	-11.8%
Voluntary Citizen Participation and Volunteer Demonstration Programs	- 103,000	-11.8%
RSVP	- 3,335,000	-11.8%
FGP	- 6,309,000	-11.8%
SCP	- 1,984,000	-11.8%
Total	-$12,071,000	-11.8%

Consequent reductions in program levels would be:

VISTA	-	279	volunteer service years
Service-Learning Programs	-	2,000	school-age volunteers
RSVP	-	43,442	volunteers
FGP	-	1,997	volunteer service years (affecting about 7,200 children)
SCP	-	615	volunteer service years (affecting approximately 2,200 frail elderly)

Even with the reductions in travel and staff levels, a reduction of 11.8% in this activity (from the FY 1986 level of $24,224,000 to $21,366,000) would make responsible administration of our programs virtually impossible. Most recent estimates, including the reductions noted above, place the Agency's minimum program administration requirement (for personnel compensation, building rent, telecommunications and postage, and residual travel) at $20,491,000, which would leave $875,000 for timesharing, equipment rental and maintenance, and other day-to-day requirements.

UNITED STATES COMMISSION ON CIVIL RIGHTS
WASHINGTON, D.C. 20425

STAFF DIRECTOR

RECEIVED
[illegible] 2 - 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

July 14, 1986

Dear Mr. Chairman:

Chairman Pendleton has asked me to respond to your letter of June 26, 1986, regarding the effect of Gramm-Rudman-Hollings on the U.S. Commission on Civil Rights. The enclosed questionnaire is submitted as requested.

The Commission is, and historically has been, a labor-intensive agency: 70% of our costs are for personnel, another 20% fixed overhead. Discretionary amounts are limited to only 10% of our budget request. However, in order to cut costs during FY 1986, we have imposed a freeze on hiring new personnel with limited exceptions on a case-by-case basis. We have cut our managers' stated requirements in overtime pay by 75% and have cut by lesser amounts their travel, supply, and equipment allocations. We also have reduced our space utilization by consolidating our Washington, D.C., regional office with headquarters.

In the event of the further reductions, as indicated in the second and third copies of the questionnaire, the Commission, because it is a labor-intensive agency, would have to look at additional ways to reduce personnel costs. Consolidation of regional offices, and reductions-in-force, as well as furloughs, would be primary considerations. The information provided consists of estimates only, based on current data.

Very truly yours,

J. Al Latham, Jr.

J. Al Latham, Jr.

Encl.: (1)

The Honorable Jack Brooks
Chairman, Committe on Government Operations
2157 Rayburn House Office Building
Washington, D.C. 20515

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration. Commission on Civil Rights 95-1900-0-1-751
$529,000 4.3%

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding. N/A

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency US Commission on Civil Rights

a) x delay procurements:
    I) x noncapital acquisitions: # delayed Equipment parts
        total $ amount 2,000
    II) N/A capital acquisitions: # delayed ______
        total $ amount ______
b) x restrict travel: total $ amount 20,000
    % of total travel budget 4.3%
c) x restrict training: total $ amount 16,000
    % of total training budget 16%
d) x freeze hiring: duration in months 9
    if not affecting whole agency, specify the
    components affected case by case
    resultant reduction in workforce
    because of attrition:
        # & % of permanent employees
        reduced 10 slots/5%
        # & % of temporary employees
        reduced ______
        # & % of other employees
        reduced ______
e) x furlough: # of days ______)initially 12 days
    # of people affected ______)est. down to zero
    % of workforce involved ______)
f) N/A rif: # of people affected ______
    % of workforce involved ______
g) N/A retire early: # of people affected ______
    % of workforce involved ______
h) N/A delay maintenance and repairs: # of projects ______
    total $ amount ______
i) x close field locations consolidated D.C. regional office with head-
    (specify where): quarters to save space costs
j) N/A reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I) ______ inspections: amt. & % reduced ______
    II) ______ audits: amt. & % reduced ______
    III) ______ technical assistance: amt. & % reduced ______
    IV) ______ other (specify) ______: amt. & % reduced ______
k) N/A reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I) ______ grants: amt. & % reduced
    II) ______ loans: amt. & % reduced ______
    III) ______ other (specify) ______: amt. & % reduced ______
l) N/A raise user fees (specify component, program, and amount of increase in each): ______
m) x other (provide details): reduce publication costs.
Update - from monthly to bimonthly, New Perspectives - issues delayed; equipment purchases delayed.

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency US Commission on Civil Rights*

Estimated amount of reduction $859,000

a)_____delay procurements:
  I)_____noncapital acquisitions: # delayed_____
    total $ amount_____
  II)_____capital acquisitions: # delayed_____
    total $ amount_____
b)_____restrict travel: total $ amount_____
  % of total travel budget_____
c)_____restrict training: total $ amount_____
  % of total training budget_____
d)_____freeze hiring: duration in months_____
  if not affecting whole agency, specify the components affected_____
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced_____
    # & % of temporary employees reduced_____
    # & % of other employees reduced_____
e)__x__furlough: # of days_____
  # of people affected_____
  % of workforce involved_____
  It's possible that a furlough would have to be considered.
f)__x__rif: # of people affected 22
  % of workforce involved 11
g)_____retire early: # of people affected_____
  % of workforce involved_____
h)_____delay maintenance and repairs: # of projects_____
  total $ amount_____
i)__x__close field locations (specify where): consolidate 10 regions
j)_____reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I)_____inspections: amt. & % reduced_____
  II)_____audits: amt. & % reduced_____
  III)_____technical assistance: amt. & % reduced_____
  IV)_____other (specify)_____: amt. & % reduced_____
k)_____reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I)_____grants: amt. & % reduced_____
  II)_____loans: amt. & % reduced_____
  III)_____other (specify)_____: amt. & % reduced_____
l)_____raise user fees (specify component, program, and amount of increase in each):_____
m)_____other (provide details):_____

* The majority of the reductions shown under question # 3 stand and cannot be cut further. Therefore, we have placed an "X" only on items where further cuts can be made.

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency US Commission on Civil Rights*

Estimated amount of reduction $1,389,000

a)_____delay procurements:
    I)_____noncapital acquisitions: # delayed__________
        total $ amount_______
    II)_____capital acquisitions: # delayed__________
        total $ amount__________
b)_____restrict travel: total $ amount__________
    % of total travel budget__________
c)_____restrict training: total $ amount__________
    % of total training budget__________
d)_____freeze hiring: duration in months__________
    if not affecting whole agency, specify the components affected__________________
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced__________
        # & % of temporary employees reduced__________
        # & % of other employees reduced__________
e)__x__furlough: # of days 3
    # of people affected 168
    % of workforce involved 100% - after RIF
f)__x__rif: # of people affected 32
    % of workforce involved 16
g)_____retire early: # of people affected__________
    % of workforce involved__________
h)_____delay maintenance and repairs: # of projects__________
    total $ amount__________
i)__x__close field locations
    (specify where): consolidate 10 regions
j)_____reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I)_____inspections: amt. & % reduced__________
    II)_____audits: amt. & % reduced__________
    III)_____technical assistance: amt. & % reduced_______
    IV)_____other (specify)_________: amt. & % reduced_____
k)_____reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I)_____grants: amt. & % reduced__________
    II)_____loans: amt. & % reduced__________
    III)_____other (specify)_________: amt. & % reduced____
l)_____raise user fees (specify component, program, and amount of increase in each):______________________________
m)_____other (provide details):____________________________

*The majority of the reductions shown under question 3 stand and cannot be cut further. Therefore, we have placed an "X" only on items where further cuts can be made.

COMMODITY FUTURES TRADING COMMISSION
2033 K Street, N.W., Washington, D.C. 20581
(202) 254-6970

Susan M. Phillips
Chairman

RECEIVED
JUL 11 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

July 11, 1986

The Honorable Jack Brooks
Chairman
Committee on Government Operations
U. S. House of Representatives
2157 Rayburn House Office Building
Washington, D. C. 20515

Dear Mr. Chairman:

Enclosed is the response to your June 26 questionnaire on the impact of Gramm-Rudman-Hollings on the Commodity Futures Trading Commission. All estimates of the effect on the Commission's budget have been made by the Executive Director. Actual decisions regarding the approach to take to achieve reductions will have to be determined by the Commission at the time an operating budget is developed.

If you would like further information, please call Molly G. Bayley, Executive Director, at 254-3350.

Sincerely,

Susan M. Phillips

SUSAN M. PHILLIPS
Chairman

Enclosure

Questionnaire on Gramm-Rudman-Hollings Impact

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

Commodity Futures Trading Commission.

Appropriation Code--95-1400-0-1-376.

FY 1986 reduction: $1,257,000 (4.3%).

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

Question 2 is not applicable to the CFTC. No additional funding was provided.

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer subquestions "j" through "l" for each of your principal subdepartment/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

The President's FY 1986 budget request for the Commission was $27,981,000. In anticipation of the Congress appropriating this amount, the Commission, in January 1985, set its FY 1986 operating plan at the President's requested level, which required a reduction of 40 staff-years (7.5%) from the Commission's FY 1985 staff-year level. Therefore, beginning in January 1985, the Commission instituted a modified hiring freeze in an effort to begin FY 1986 at the staff-year level which could be funded under the President's budget request. As a result of this nine month freeze, the Commission was prepared to operate at a level of $27,981,000 at the time the Congress appropriated an FY 1986 budget for the Commission of $29,240,000. The subsequent sequestration reduced the Commission's budget by 4.3% or $1,259,000 to $27,983,000. Therefore, the Commission's nine-month hiring freeze in FY 1985 allowed it to operate in FY 1986 at the post-sequestration level of $27,983,000 without further reductions.

A reduction of 40 staff-years has resulted in less time being devoted to all of the Commission's programs. However, it is difficult to quantify the reduction in service to the public. In addition, it should be noted that while the Commission did raise service fees slightly in FY 1986, these fees do not offset the Commission's budget requirements, since they are deposited to the general fund of the U.S. Treasury.

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer subquestions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

The CFTC would be forced to postpone or cancel at least $2,474,000 in services and goods. Additionally, at least $156,000 (74%) of the agency's travel requirements and $96,000 (60%) of its training requirements would not be met. Dependent upon employment levels at the time of budget finalization, the CFTC would employ a combination of furlough and hiring freeze tactics to make up a shortfall of $1,752,000 remaining after the aforementioned cuts. Before full-time permanent staff would be affected, all temporary staff would be released.

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer subquestions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

A total of $1,259,000 in additional reductions would be necessary under this scenario as compared to the scenario in item 4 above. To achieve this goal, the Commission would probably apply significantly more stringent hiring restrictions along with a significantly more intense furlough program. On average the Commission pays out approximately $75,000 a day in salary and benefits at current staffing levels. A full staff-year, on average, currently costs the Commission about $40,000 in compensation and benefits. The actual mix of reductions that would be necessary cannot be quantified at this time but would depend on the resignation rate and residual employment by function. At major reduction levels, some added savings would accrue in the utility, travel and purchased service areas.

U.S. CONSUMER PRODUCT SAFETY COMMISSION
WASHINGTON, D.C. 20207

July 14, 1986

RECEIVED
JUL 17 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

The Honorable Jack Brooks
Chairman
Committee on Government Operations
U.S. House of Representatives
2157 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Brooks:

This is in response to your letter of June 26, 1986 regarding the impact of the Gramm-Rudman-Hollings legislation on the Consumer Product Safety Commission (CPSC). The answers to your specific questions are included below and in Attachment A. The answers are speculative and should be considered a first approximation based on staff estimates, since the Commission has made no decision on funding plans at the lower levels identified for 1987. The staff response assumes that the Commission will approach 1987 reductions in a manner similar to their 1986 actions.

Answers to specific questions are as follows:

1. CPSC is comprised of only one budget account, Salaries and Expenses, account number 61-0100-0-1-554. The 1986 appropriation of $36,000,000 was reduced by a sequestration of $1,548,000, or 4.3%. We are presently operating at a level of $34,452,000.

2. No additional funding has been provided to this account.

3. Preliminary staff estimates of overall agency effects are shown in items a through i in Attachment A. The remaining items concerning reduced service or benefits to the public are difficult to quantify at this time. The Commission's principal objective is to reduce unreasonable risks to the public from unsafe products.

The Honorable Jack Brooks
Page 2

4-5. Reductions of the magnitude described in question 4 would be challenging but would not prevent the Commission from carrying out its mission effectively. It would remain to be determined whether the same could be anticipated with reductions as described in question 5.

If we can provide additional information, please let us know. Or if you need further clarification of the figures included in this response, Thomas W. Murr, Jr., Deputy Executive Director, at 492-6550 could provide an immediate answer.

Sincerely,

Edward D. Harrill

Edward D. Harrill
Director of Congressional Relations

ATTACHMENT A

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Consumer Product Safety Commission

a) X delay procurements:
  I) X noncapital acquisitions: # delayed 17
  total $ amount $725,000
  II) _____capital acquisitions: # delayed__________
  total $ amount__________
b) X restrict travel: total $ amount $120,000
  % of total travel budget 14.8%
c) X restrict training: total $ amount $5,000
  % of total training budget 8.4%
d) X ~~freeze~~ hiring: duration in months 8
(restricted)
  if not affecting whole agency, specify the components affected entire agency
  resultant reduction in workforce because of attrition:
  # & % of permanent employees reduced 12/2.4%
  # & % of temporary employees reduced 11/15.7%
  # & % of other employees reduced 8 student aids/28.6%
e) _____furlough: # of days__________
  # of people affected__________
  % of workforce involved__________
f) _____rif: # of people affected__________
  % of workforce involved__________
g) _____retire early: # of people affected__________
  % of workforce involved__________
h) _____delay maintenance and repairs: # of projects__________
  total $ amount__________
i) _____close field locations
  (specify where):__________
j) _____reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) _____inspections: amt. & % reduced__________
  II) _____audits: amt. & % reduced__________
  III) _____technical assistance: amt. & % reduced__________
  IV) _____other (specify)_________: amt. & % reduced_____
k) _____reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) _____grants: amt. & % reduced__________
  II) _____loans: amt. & % reduced__________
  III) _____other (specify)_________: amt. & % reduced_____
l) _____raise user fees (specify component, program, and amount of increase in each):__________
m) _____other (provide details):__________

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Consumer Product Safety Commission

Estimated amount of reduction $7,515,000

a) x delay procurements:
  I) x noncapital acquisitions: # delayed 23
    total $ amount [illegible]
  II) _____ capital acquisitions: # delayed _____
    total $ amount _____
b) x restrict travel: total $ amount $66,000
  % of total travel budget 9.8%
c) x restrict training: total $ amount $10,000
  % of total training budget 15.2%
d) x freeze hiring: duration in months 12
  if not affecting whole agency, specify the components affected entire agency
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 33/2.6%
    # & % of temporary employees reduced 5/27.8%
    # & % of other employees reduced _____
e) _____ furlough: # of days _____
  # of people affected _____
  % of workforce involved _____
f) _____ rif: # of people affected _____
  % of workforce involved _____
g) _____ retire early: # of people affected _____
  % of workforce involved _____
h) _____ delay maintenance and repairs: # of projects _____
  total $ amount _____
i) _____ close field locations
  (specify where): _____
j) _____ reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) _____ inspections: amt. & % reduced _____
  II) _____ audits: amt. & % reduced _____
  III) _____ technical assistance: amt. & % reduced _____
  IV) _____ other (specify) _____: amt. & % reduced _____
k) _____ reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) _____ grants: amt. & % reduced _____
  II) _____ loans: amt. & % reduced _____
  III) _____ other (specify) _____: amt. & % reduced _____
l) _____ raise user fees (specify component, program, and amount of increase in each): _____
m) _____ other (provide details): _____

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Consumer Product Safety Commission

Estimated amount of reduction $4,065,000

a) X delay procurements:
  I) X noncapital acquisitions: # delayed 28
    total $ amount $1,155,000
  II) _____ capital acquisitions: # delayed _____
    total $ amount _____
b) X restrict travel: total $ amount $100,000
  % of total travel budget 14%
c) X restrict training: total $ amount $15,000
  % of total training budget 23%
d) X freeze hiring: duration in months 2
  if not affecting whole agency, specify the components affected _____
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 6/1.2%
    # & % of temporary employees reduced 2/11.1%
    # & % of other employees reduced _____
e) _____ furlough: # of days _____
  # of people affected _____
  % of workforce involved _____
f) X rif: # of people affected 65
  % of workforce involved 9%
g) _____ retire early: # of people affected 15
  % of workforce involved _____
h) _____ delay maintenance and repairs: # of projects _____
  total $ amount _____
i) _____ close field locations (specify where): _____
j) _____ reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) _____ inspections: amt. & % reduced _____
  II) _____ audits: amt. & % reduced _____
  III) _____ technical assistance: amt. & % reduced _____
  IV) _____ other (specify) _____: amt. & % reduced _____
k) _____ reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) _____ grants: amt. & % reduced _____
  II) _____ loans: amt. & % reduced _____
  III) _____ other (specify) _____: amt. & % reduced _____
l) _____ raise user fees (specify component, program, and amount of increase in each): _____
m) _____ other (provide details): _____

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

July 11, 1986

RECEIVED
[illegible] 1 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

Dear Mr. Chairman:

This is in response to your letter of June 26, 1986, concerning the impact of the Gramm-Rudman-Hollings Act. Enclosed is a copy of your questionnaire with my responses noted.

If you have any questions, please contact Elizabeth Kaminski. Her telephone number is 395-5107.

Sincerely,

Beryl W. Sprinkel

Beryl W. Sprinkel

The Honorable Jack Brooks
Chairman
Committee on Government Operations
House of Representatives
Washington, D. C. 20515

1. List of Budget Accounts (in thousands of dollars)

		Pre-Gramm-Rudman-Hollings	After	Reduction (thous.)	Percent of Reduction
11.1	Salaries -- Full-time	1,273	1,272		
11.2	Positions -- Other than full time	26	35		
11.5	Other Personnel Comp.	55	45		
11.8	Special Service Payments	210	208		
		1,564	1,560		
12.0	Benefits	164	167		
		1,728	1,727	1	
21.0	Travel	28	28		
23.1	SLUC	185	185		
23.2	Comm., Utils., and Rent	95	85	10	15
24.0	Printing	75	65	10	30
25.0	Other Services	90	70	20	22
26.0	Supplies	30	25	5	16
31.0	Equipment	70	17	53	75
		2,301	2,202		

2. Budget Accounts Subsequently Provided with Additional Funding

None

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Council of Economic Advisers

a) x delay procurements:
    I) x noncapital acquisitions: # delayed 25
        total $ amount $5,000
    II) x capital acquisitions: # delayed 11
        total $ amount $53,000
b) -- restrict travel: total $ amount ________
    % of total travel budget ________
c) -- restrict training: total $ amount ________
    % of total training budget ________
d) x freeze hiring: duration in months 1
    if not affecting whole agency, specify the components affected -
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced --
        # & % of temporary employees reduced --
        # & % of other employees reduced --
e) -- furlough: # of days ________
    # of people affected ________
    % of workforce involved ________
f) -- rif: # of people affected ________
    % of workforce involved ________
g) -- retire early: # of people affected ________
    % of workforce involved ________
h) -- delay maintenance and repairs: # of projects ________
    total $ amount ________
i) -- close field locations
    (specify where): ________
j) -- reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I) ________ inspections: amt. & % reduced ________
    II) ________ audits: amt. & % reduced ________
    III) ________ technical assistance: amt. & % reduced ________
    IV) ________ other (specify) ________: amt. & % reduced ________
k) -- reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I) ________ grants: amt. & % reduced ________
    II) ________ loans: amt. & % reduced ________
    III) ________ other (specify) ________: amt. & % reduced ________
l) -- raise user fees (specify component, program, and amount of increase in each): ________
m) -- other (provide details): ________

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Council of Economic Advisers

Estimated amount of reduction $161,000

a) x delay procurements:
  I) -- noncapital acquisitions: # delayed ____
    total $ amount ____
  II) x capital acquisitions: # delayed 2
    total $ amount $7,000
b) -- restrict travel: total $ amount ____
  % of total travel budget ____
c) -- restrict training: total $ amount ____
  % of total training budget ____
d) x freeze hiring: duration in months 12
  if not affecting whole agency, specify the components affected ____
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 3 -- 9%
    # & % of temporary employees reduced --
    # & % of other employees reduced --
e) -- furlough: # of days ____
  # of people affected ____
  % of workforce involved ____
f) -- rif: # of people affected ____
  % of workforce involved ____
g) -- retire early: # of people affected ____
  % of workforce involved ____
h) -- delay maintenance and repairs: # of projects ____
  total $ amount ____
i) -- close field locations (specify where): ____
j) -- reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) ____ inspections: amt. & % reduced ____
  II) ____ audits: amt. & % reduced ____
  III) ____ technical assistance: amt. & % reduced ____
  IV) ____ other (specify) ____: amt. & % reduced ____
k) -- reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) ____ grants: amt. & % reduced ____
  II) ____ loans: amt. & % reduced ____
  III) ____ other (specify) ____: amt. & % reduced ____
l) -- raise user fees (specify component, program, and amount of increase in each): ____
m) -- other (provide details): ____

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Council of Economic Advisers

Estimated amount of reduction $260,000

a) x delay procurements:
    I) -- noncapital acquisitions: # delayed ____ total $ amount ____
    II) x capital acquisitions: # delayed 2 total $ amount 7,000
b) -- restrict travel: total $ amount ____ % of total travel budget ____
c) -- restrict training: total $ amount ____ % of total training budget ____
d) x freeze hiring: duration in months 12
    if not affecting whole agency, specify the components affected ____
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced 5 - 15%
        # & % of temporary employees reduced --
        # & % of other employees reduced --
e) -- furlough: # of days ____ # of people affected ____ % of workforce involved ____
f) -- rif: # of people affected ____ % of workforce involved ____
g) -- retire early: # of people affected ____ % of workforce involved ____
h) -- delay maintenance and repairs: # of projects ____ total $ amount ____
i) -- close field locations (specify where): ____
j) -- reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I) ____ inspections: amt. & % reduced ____
    II) ____ audits: amt. & % reduced ____
    III) ____ technical assistance: amt. & % reduced ____
    IV) ____ other (specify) ____: amt. & % reduced ____
k) -- reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I) ____ grants: amt. & % reduced ____
    II) ____ loans: amt. & % reduced ____
    III) ____ other (specify) ____: amt. & % reduced ____
l) -- raise user fees (specify component, program, and amount of increase in each): ____
m) -- other (provide details): ____

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

JUL 11 1986

OFFICE OF
ADMINISTRATION
AND RESOURCES
MANAGEMENT

RECEIVED
[illegible] 1 [illegible] 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

Honorable Jack Brooks
Chairman, Committee
on Government Operations
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Thank you for your inquiry of June 26, 1986, regarding the impact of the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings), on the Environmental Protection Agency (EPA).

As you know, in FY 1986, EPA, as well as other Federal non-defense agencies, were required to apply a 4.3 percent reduction to its appropriation accounts as a result of the February/March sequestration order.

In response to your first question, I have included an analysis (Attachment I) that identifies, by program element, the effect of the President's sequestration order on the amounts appropriated for EPA operating programs in FY 1986. The reductions for the Operating Programs, Superfund, and Construction Grants are indicated in the table below.

Gramm-Rudman-Hollings Reductions
($ in thousands)

	1986 Enacted	1986 Post GRH	Difference
Operating Programs	$1,490,176	$1,426,097	-$64,079
Superfund	900,000	861,300	-38,700
Construction Grants	600,000	574,200	-25,800

As the analysis indicates, we applied a uniform 4.3 percent reduction to all of our accounts. The attached analysis also provides a comparison of the estimates to EPA's operating plan as of July 1, 1986. The difference between our operating totals after Gramm-Rudman-Hollings (GRH) and the July 1, 1986 estimates are the cumulative reprogrammings that have occurred since the beginning of the fiscal year.

I must point out, however, that in most cases these reprogrammings do not reflect program managers' attempts to diminish the effects of GRH mandated reductions. Most of the reprogrammings reflect changes in program direction which required a shift of resources or adjustments to more accurately reflect actual activity. Since we do not require program managers to specifically identify reprogrammings that offset GRH reductions, we cannot determine with any certainty what reprogramming amounts directly alleviate or offset GRH reductions.

With regard to your second question, concerning increases in budget accounts, none of EPA's appropriations have been subsequently increased. All of the adjustments indicated in Attachment I are below the account level, and are within the reprogramming guidance provided by the Appropriations Committees. The recently enacted FY 1986 Supplemental Appropriations Act, however, did shift $3.0 million from the Research and Development Appropriation to the Salaries and Expenses Appropriation. This transfer is not reflected in Attachment I because the necessary apportionment has not yet been completed.

Since EPA did not centrally impose the 4.3 percent GRH reduction below the program element level or require program managers to specifically identify or track actions to reverse GRH reductions, we cannot determine the impact it has had on items a, b, c, h, j, and k, in question number three. By closely managing the use of EPA's workyears we have also been able to avoid taking actions, such as those identified in items d, e, f, g, and i, to meet the requirements of GRH.

In addition, EPA has not raised any of the fees it currently charges in order to offset GRH reductions. We are pursuing a strategy that will institute a fees system for some EPA activities. These fees are not necessarily intended to counteract the effects of GRH, but instead, will help offset the cost of operating EPA programs.

As submitted to Congress, the President's 1987 Budget Request includes funding levels that have precluded us from forecasting the impact GRH may have on EPA. Overall, the President's 1987 Budget Request to Congress stays within the deficit target established in GRH. Furthermore, the recently approved Budget Resolution also stays below the $144 billion deficit level specified by GRH. Given these two facts, at this time, I believe it is too early to predict the impact GRH may have on our FY 1987 budget. Therefore I cannot reasonably respond to questions four and five.

Again, thank you for your interest in EPA's programs. I would be happy to respond to any further questions you may have. If your staff has any questions on the material we have submitted please feel free to call Mark Hague on 382-4213. He will be happy to provide assistance.

Sincerely,

Howard M. Messner

Howard M. Messner
Assistant Administrator
for Administration and
Resources Management

Enclosures

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
BUDGET ANALYSIS RESOURCE SYSTEM

07-09-86

TIME 9:47:59

FY 1986 ENACTED VS CURRENT ESTIMATE VS JULY OPLAN
BY APPROP., MEDIA, P.E.

A SALARIES & EXPENSES

(BARS 01)

SELECTED APPROPRIATIONS HQA ONLY	(1) FY 86 ENACTED TOTALS$	(2) FY 86 CUREST. TOTALS$	(3) FY86 QTR OPER PLAN TOTALS$	(4) 2-1=4	(5) 3-2=5	(6)	(7)	(8)	(9)
AFMA3A STAT SRCE ENF	11,883.0	11,371.9	11,308.9	-511.1	-63.0				
AFMA3B MOBILE SRCE ENFCMNT	4,950.2	4,737.4	4,761.0	-212.8	23.6				
AHTA2B EMISS STD T A &CHAR	3,804.5	3,640.9	3,878.1	-163.6	237.2				
AHUA2B TEST, TECH&ADMI SUP	4,926.6	4,714.7	5,069.5	-211.9	354.8				
AHVA2B EMMISS & FUEL ECON	1,633.3	1,563.3	1,558.2	-70.0	-5.1				
ANKA1E CHAR TNSPT&FT-OX-AIR	3,818.7	3,654.4	3,567.8	-164.3	-91.6				
ANLA1E SCIENTIFIC ASSESS-AI	3,023.3	2,893.4	3,377.4	-129.9	484.0				
ANMA1E MON S&QA ASSU-AIR	6,184.3	5,918.4	5,865.4	-265.9	-53.0				
ANNA1E HEALTH EFFECTS-AIR	7,312.6	6,998.2	6,959.1	-314.4	-39.1				
ANPA1E ENV ENG&TECH-AIR	3,967.1	3,796.6	3,725.6	-170.5	-71.0				
ANQA1E ENV PROC&EFF - AIR	853.3	816.5	704.3	-36.8	-112.2				
A11A2A EMIS STDS&TECH ASMT	5,858.1	5,644.6	4,938.0	-213.5	-706.6				
A12A2A POL STRAT&AIR ST DEV	5,610.9	5,369.5	4,118.8	-241.4	-1,250.7				
A13A2A ST PRG GDLNS&TRNG DE	2,265.4	2,167.9	2,310.5	-97.5	142.6				
A18A2C TRAINING	234.5	224.3	228.3	-10.2	4.0				
A20A2D AIR QUAL MGT IMPLEM	12,145.2	11,623.0	11,376.2	-522.2	-246.8				
A23A2F AMBIENT AIR Q MNTRG	3,732.9	3,572.4	3,690.9	-160.5	118.5				
A24A2F AQ&EMIS DATA ANALYS	4,637.2	4,437.8	3,854.8	-199.4	-583.0				
A AIR	86,881.1	83,145.2	81,279.8	-3,735.9	-1,865.4				
AFDB3B PERMIT ISSUANCE	12,138.3	11,616.3	10,996.6	-522.0	-619.7				
AFEB3A WATER QUAL ENFORCEME	16,629.2	15,914.4	15,106.7	-714.8	-807.7				
AGMB2D DREDGE AND FILL	2,930.8	2,804.8	2,862.9	-126.0	58.1				
AHXB2A WTR QUAL MANAGEMENT	3,723.1	3,563.1	3,706.3	-160.0	143.2				
AMLB2F COASTAL ENVIRON MGT	1,704.5	1,631.3	1,616.2	-73.2	-15.1				
ANSB1E SCIENT ASSESS-WTR	302.8	289.7	297.6	-13.1	7.9				
ANTB1E MON S&QA ASSU-WTR	2,741.8	2,624.0	2,546.6	-117.8	-77.4				
ANUB1E HEALTH EFFECTS-WTR	1,458.9	1,396.2	1,351.3	-62.7	-44.9				
ANVB1E ENV ENG & TECH-WTR	2,441.6	2,336.5	2,342.7	-105.1	6.2				
ANWB1E ENV PROC & EFFS-WTR	9,214.9	8,818.6	8,898.1	-396.3	79.5				
ANXB1E GREAT LAKES RES-WTR	683.1	653.7	659.1	-29.4	5.4				
A42B2A GREAT LAKES PROGRAM	1,071.8	1,025.6	1,052.0	-46.2	26.4				
A44B2A CHESAPEAKE BAY HQ S	839.7	803.5	822.1	-36.2	18.6				
A46B2B EFFLUNT STDS & GUID	3,667.4	3,509.8	3,523.6	-157.6	13.8				
A49B2D OCEAN DISPOSAL PERM	2,168.2	2,075.1	2,118.8	-93.1	43.7				
A51B2D ENV EMER RES & PREV	2,546.7	2,437.0	2,267.7	-109.7	-169.3				
A53B2F WTR Q MNTRG ANALYSI	7,848.7	7,511.3	7,610.7	-337.4	99.4				

LEGEND

- The FY 86 Enacted column includes a distribution of all funds appropriated by the Congress.
- The FY 86 Current Estimate column reflects EPA's FY 1986 budget estimate at the time of the 1987 President's Budget Request. The Gramm-Rudman-Hollings mandated 4.3 percent reduction is included in these amounts.
- The FY 86 Quarterly Operating Plan column is EPA's most recent distribution of its FY 1986 budget, including the Consulting Services reductions required by Public Law 99-190 and the effect of cumulative reprogramming decisions taken by EPA managers since October 1, 1985.
- Column four identifies, by program element, the decreases resulting from the 4.3 percent reduction.
- Column five indicates, by program element, the effect, to date, of cumulative reprogrammings (net to zero) and Consulting Services reductions ($988 thousand).

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                              UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
                                     BUDGET ANALYSIS RESOURCE SYSTEM

                          FY 1986 ENACTED VS CURRENT ESTIMATE VS JULY OPLAN
                                        BY APPROP., MEDIA, P.E.
A SALARIES & EXPENSES

                                                                                              (BARS 01)
----------------------------------------------------------------------------------------------------------
                                 ( 1 )      ( 2 )      ( 3 )      ( 4 )      ( 5 )    ( 6 )    ( 7 )    ( 8 )    ( 9 )
SELECTED APPROPRIATIONS          FY 86      FY 86   FY86 QTR
HQA ONLY                        ENACTED    CUREST.  OPER PLAN

                                TOTALS$    TOTALS$    TOTALS$     2-1=4      3-2=5
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  A54B2G MUN WST TRTMNT FAC     21,800.2   20,862.7   20,781.0     -937.5      -81.7
  A56B2G WST TREAT OPS&MAINT     1,549.6    1,483.0    1,548.0      -66.6       65.0
  A7XB2D STANDARDS & REGULAT     4,347.5    4,160.4    4,216.6     -187.1       56.2
  A8ZB2D EPA OIL SPILLS PROJ                                1.0                   1.0

   B WATER QUALITY              99,808.8   95,517.0   94,325.6   -4,291.8   -1,191.4

  ABJC1A SCI ASSESS DRKG WTR       423.6      405.5      386.8      -18.1      -18.7
  ABLC1A MON SYS&QLY ASSU DW     1,596.8    1,528.2    1,517.4      -68.6      -10.8
  ABMC1A HEALTH EFF DRKG WTR     3,407.5    3,261.1    3,228.4     -146.4      -32.7
  ABNC1A ENV ENG & TECH DW       3,239.1    3,099.7    2,993.4     -139.4     -106.3
  ABPC1A ENV PRO&EF DRKG WTR     1,527.6    1,461.9    1,307.7      -65.7     -154.2
  AFFC3A DRINKING WATER ENFO     1,251.9    1,198.1    1,195.5      -53.8       -2.6
  AM9C2E GROUNDWATER PROTECTI    1,404.3    1,343.9    1,369.4      -60.4       25.5
  A63C2B CRIT. STDS & GDLNS      5,539.2    5,300.8    5,456.8     -238.4      156.0
  A70C2D PWSS PROGRAM AST        5,073.6    4,855.3    4,912.3     -218.3       57.0
  A71C2D UNDERG INJ CNTL PRO     5,460.9    5,226.2    5,269.2     -234.7       43.0

   C DRINKING WATER             28,924.5   27,680.7   27,636.8   -1,243.8      -43.8

  ABRD1A ENV ENG&TECH HAZ WS     5,102.1    4,882.7    4,950.6     -219.4       67.9
  ABSD1A MON SYS & QA-HW         3,825.6    3,661.1    3,737.7     -164.5       76.6
  ABTD1A SCI ASSESS HAZ WSTE     1,199.9    1,148.4    1,062.8      -51.5      -85.6
  ABVD1A HLTH EFF HAZ WSTE         889.2      851.0      862.7      -38.2       11.7
  ABWD1A ENV PRO&EFF HAZ WST     3,258.6    3,118.6    3,140.6     -140.0       22.0
  AG0D3A HAZ WST ENF - OSWER    15,556.3   14,887.4   13,723.9     -668.9   -1,163.5
  AG9D2B REGS GDLNS & POL HW    16,492.3   15,783.1   15,193.5     -709.2     -589.6
  AMZD2B RCRA REG. PROG-OAR        736.7      705.1      475.6      -31.6     -229.5
  ANAD2B RCRA REG. PROG-OW         869.1      831.7      570.5      -37.4     -261.2
  A80D2D HW MGT REG STRAT IM    15,385.9   14,724.3   15,250.8     -661.6      526.5

   D HAZARDOUS WASTE            63,315.7   60,593.4   58,968.7   -2,722.3   -1,624.7

  ABXE1A SCI ASSEMENT - PEST       432.7      414.2      421.5      -18.5        7.3
  ABZE1A MON SYS&Q ASSU PEST       415.2      397.3      372.3      -17.9      -25.0
  ACAE1A HEALTH EFFCT-PEST       1,854.2    1,774.5    1,736.2      -79.7      -38.3
  ACBE1A ENV PRO & EF - PEST     2,716.7    2,599.8    2,549.5     -116.9      -50.3
  A[illegible]F3A PESTICIDES ENFORCEM      4,509.5    4,315.5    4,315.5     -194.0
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UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
BUDGET ANALYSIS RESOURCE SYSTEM

FY 1986 ENACTED VS CURRENT ESTIMATE VS JULY OPLAN
BY APPROP., MEDIA, P.E.

A SALARIES & EXPENSES

(BARS 01)

SELECTED APPROPRIATIONS MOA ONLY	(1) FY 86 ENACTED TOTALS$	(2) FY 86 CUREST. TOTALS$	(3) FY86 QTR OPER PLAN TOTALS$	(4) 2-1=4	(5) 3-2=5	(6)	(7)	(8)	(9)
AJREIM GENERIC CHEM REV	13,024.6	12,464.6	12,586.4	-560.0	121.8				
AKXE1A ENV EAT PESTICIDES	55.7	53.4	52.5	-2.3	-.9				
A93E2K REGISTRATION	10,042.2	9,610.3	9,602.0	-431.9	-8.3				
A94E2K SPECIAL REGISTRATIC	1,566.6	1,499.2	1,400.9	-67.4	-98.3				
A95E2K TOLERANCES	2,905.1	2,780.1	2,760.7	-125.0	-19.4				
E PESTICIDES	37,522.5	35,908.9	35,797.5	-1,613.6	-111.4				
ACFF1A MON SYS&QA MONIO RAD	196.3	187.9	183.3	-8.4	-4.6				
AHMF2R RAD ENV IMPACT ASM	3,551.9	3,399.2	3,514.8	-152.7	115.6				
A1DF2D RAD PROG IMPLMNTION	601.7	575.8	608.4	-25.9	32.6				
A99F2B RAD CRIT,STDS&GDLNS	3,691.1	3,532.5	3,751.3	-158.6	218.8				
F RADIATION	8,041.0	7,695.4	8,057.8	-345.6	362.4				
ACMM1A EXP RES CU PRG INTE	655.6	627.5	814.3	-28.1	186.8				
AFMM3A TECH SUPP-OECM	3,137.0	3,002.3	3,441.0	-134.7	438.7				
AJAM3A ENF POLICY & OPRNS	13,796.4	13,203.2	12,639.8	-593.2	-563.4				
AJXM1A TECHN INFORM LIAIS	1,786.7	1,709.9	2,065.6	-76.8	355.7				
AKKM2A ENV. REV.& COORD.	4,927.4	4,715.6	4,516.9	-211.8	-198.7				
ALKM1A QUALITY ASSUR MGMT	686.6	657.1	703.5	-29.5	46.4				
ALLM1A SCIENT ASSESS INTER.	814.2	779.2	771.7	-35.0	-7.5				
ANYM3A CRIMINAL INVEST PROG	966.8	925.2	975.8	-41.6	50.6				
A1PM2A FED AGENCIES COMPL			299.9		299.9				
A6ZM2M EPA DISASTER AST			19.0		19.0				
H INTERDISCIPLINARY	26,770.7	25,620.0	26,247.5	-1,150.7	627.5				
ACPL1A SCI ASSMT CT&A TOX	224.6	214.9	218.7	-9.7	3.8				
ACRL1A MON SYS&QA CT&A - TS	1,455.9	1,393.3	1,320.3	-62.6	-73.0				
ACSL1A HLTH EFF - CT&A TOX	3,868.0	3,701.7	3,701.7	-166.3					
ACTL1A ENV ENGTEC CT&A TOX	632.8	605.6	606.9	-27.2	1.3				
ACUL1A ENV PROC&EFF CT&A TS	5,495.6	5,259.3	5,459.6	-236.3	200.3				
AFLL3A TOX SUB ENFRCMENT	6,651.4	6,365.5	6,432.8	-285.9	67.3				
AMZL2S TOXICS INTEGRATION	624.0	597.1	607.2	-26.9	10.1				
AJNL2S CHEMICAL TESTING	3,891.9	3,724.5	3,769.2	-167.4	44.7				
AJPL2S EXISTING CHEM REV	7,964.7	7,622.2	7,762.9	-342.5	140.7				
AJQL2S NEW CHEMICAL REVIEW	9,051.0	8,661.7	8,776.1	-389.3	114.4				

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
BUDGET ANALYSIS RESOURCE SYSTEM

FY 1986 ENACTED VS CURRENT ESTIMATE VS JULY OPLAN
BY APPROP., MEDIA, P.E.

A SALARIES & EXPENSES

(BABS 01)

SELECTED APPROPRIATIONS MOA ONLY	(1) FY 86 ENACTED TOTALS$	(2) FY 86 CUREST. TOTALS$	(3) FY86 QTR OPER PLAN TOTALS$	(4) 2-1=4	(5) 3-2=5	(6)	(7)	(8)	(9)
L TOXIC SUBSTANCES	39,859.9	38,145.8	38,655.4	-1,714.1	509.6				
ACVN1A ACID RN MLTI-MED EN	3,107.1	2,973.5	3,151.8	-133.6	178.3				
ACZN1A ENV E&T MULT-MED EN	2,022.7	1,935.8	1,922.6	-86.9	-13.2				
N ENERGY	5,129.8	4,909.3	5,074.4	-220.5	165.1				
ADER5A PROGRAM MGT - ORD	3,846.5	3,681.2	3,927.4	-165.3	246.2				
AGKR5A PROGRAM MGT - OECM	416.0	398.2	417.5	-17.8	19.3				
AGLR5A PROGRAM MGT - OSWER	1,653.7	1,582.6	2,101.5	-71.1	518.9				
ALSR5A PROGRAM MGT - OEA	711.8	681.2	747.0	-30.6	65.8				
ALTR5A PROGRAM MGT - OSC	458.1	438.5	440.8	-19.6	2.3				
AZIR5A PROGRAM MGT - OAR	2,904.2	2,779.3	2,972.3	-124.9	193.0				
AZUR5A PROGRAM MGT - OW	2,671.7	2,556.9	2,599.8	-114.8	42.9				
AZVRLA PROGRAM MGT - OPTS	2,311.1	2,211.8	2,350.1	-99.3	138.3				
R PROGRAM MANAGEMENT	14,973.1	14,329.7	15,556.4	-643.4	1,226.7				
ADZ55A OFF OF SMALL & DISA	557.4	533.5	567.2	-23.9	33.7				
AGR55A PROGRAM MGT - OPPE	872.3	834.7	795.9	-37.6	-38.8				
AGS55A PROGRAM MGT - OARM	1,370.5	1,311.7	1,223.0	-58.8	-88.7				
AGT55A FINANCIAL MGT HQ	5,445.1	5,211.0	4,952.8	-234.1	-258.2				
AGU55A OFFICE OF THE COMPT	3,197.5	3,060.9	3,375.6	-136.6	314.7				
AHB55A PROGRAM INTEG PROJ	3,269.4	3,128.8	3,408.2	-140.6	279.4				
AHC55A POLICY ANALYSIS	9,201.6	8,805.9	6,624.0	-395.7	-2,181.9				
AHD55A STANDARDS & REGULAT	4,777.2	4,571.7	4,859.0	-205.5	287.3				
AHE55A OFC/LEGISL ANALYSIS	939.9	899.4	912.0	-40.5	12.6				
AHF55A MGMT SYS & EVALUATI	2,864.5	2,741.3	2,616.5	-123.2	-124.8				
AHG55A CONGRESSIONAL LIAISO	865.3	828.1	834.2	-37.2	6.1				
AHY55A OFC OF PUBLIC AFFAIR	2,489.8	2,382.7	2,413.8	-107.1	31.1				
AJF55A REGU INFO SER CENTE	517.0	494.8	493.7	-22.2	-1.1				
AJT55A EXECUTIVE SUPPORT	796.2	761.9	820.1	-34.3	58.2				
ALV55A REGIONAL OPER-EXEC	328.4	314.3	316.9	-14.1	2.6				
AHK55A OFC HUMAN RES MGT	1,192.6	1,141.4	1,265.3	-51.2	123.9				
AZY55A GENERAL COUNSEL	6,479.0	6,200.3	6,392.4	-278.7	192.1				
A3A55A OFF OF INSPECTOR GEN	14,794.2	14,158.0	14,435.9	-636.2	277.9				
A3D55A IMMED OFC OF ADMIN	2,205.1	2,106.7	2,207.6	-98.4	20.9				

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UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
BUDGET ANALYSIS RESOURCE SYSTEM

FY 1986 ENACTED VS CURRENT ESTIMATE VS JULY OPLAN
BY APPROP., MEDIA, P.E.

A SALARIES & EXPENSES

(BARS 01)

SELECTED APPROPRIATIONS HOA ONLY	(1) FY 86 ENACTED TOTALS$	(2) FY 86 CUREST. TOTALS$	(3) FY86 QTR OPER PLAN TOTALS$	(4) 2-1=4	(5) 3-2=5	(6)	(7)	(8)	(9)
A3ESSA ADMINR'S REP FUND	3.0	2.9	3.0	-1	1				
A3HSSA INTERNTL ACTIVITIES	1,062.2	1,016.6	1,119.9	-45.6	103.3				
A3JSSA CIVIL RIGHTS	1,290.6	1,234.9	1,271.6	-55.7	36.7				
A3KSSA OFFICE OF FEDRL ACT	1,627.4	1,557.2	1,770.3	-70.2	213.1				
A3MSSA SCIENCE ADVISORY BD	1,242.4	1,188.9	1,354.2	-53.5	165.3				
A3NSSA ADMIN LAW JUDGES	751.2	718.9	814.7	-32.3	95.8				
A3QSSA PERS & ORG SERVICES	7,540.1	7,216.0	7,709.3	-324.1	493.3				
A3RSSA CONTRACTS GRNTS MGMT	10,149.6	9,713.0	9,600.2	-436.6	-112.8				
A3VSSA FAC & MGT SERVICES	6,604.6	6,320.6	6,612.1	-284.0	291.5				
A3WSSA INFO SYS & SERVICES	7,313.5	6,999.0	7,233.9	-314.5	234.9				
A8RSSA OFC PRIV&PUB LIAISON	638.5	611.0	669.4	-27.5	58.4				
S AGENCY MANAGEMENT	100,466.1	96,146.1	96,672.7	-4,320.0	526.6				
[illegible]VTSA RESOURCE MANAGEMENT	1,638.7	1,568.2	1,594.1	-70.5	25.9				
A2XTSA REGIONAL COUNSEL	3,772.2	3,610.0	3,742.2	-162.2	132.2				
A3XTSA REGIONAL MANAGEMENT	9,351.3	8,949.2	9,502.4	-402.1	553.2				
A3YTSA ANALYSIS & EVALUATIO	2,525.6	2,417.0	2,439.2	-108.6	22.2				
A3ZTSA FIN MANAGEMENT-REG	2,771.7	2,652.5	2,684.0	-119.2	31.5				
A4ATSA PERSONNEL MGMT-REG	3,148.8	3,013.5	3,148.1	-135.3	134.6				
A4BTSA ADMIN MGMT-REGIONS	5,608.7	5,367.5	5,432.3	-241.2	64.8				
T REGIONAL MANAGEMENT	28,817.0	27,577.9	28,542.3	-1,239.1	964.4				
A4AXSA LAB SUPPORT - OPTS	251.4	240.6	240.6	-10.8					
A4BXSA PROFESSIONAL TRAINIG	500.0	478.5	648.2	-21.5	169.7				
A4CXSA NATIONWIDE SUPP SERV	56,111.4	53,696.9	54,402.6	-2,414.5	705.7				
A4DXSA HDQRS SUPPORT SERV	32,529.5	31,130.7	30,756.1	-1,398.8	-374.6				
A4EXSA REG SUPPORT SERVIC	22,981.5	21,993.4	21,803.0	-988.1	-190.4				
A4FXSA LAB SUPPORT - ORD	5,852.6	5,601.0	5,933.2	-251.6	332.2				
A4GXSA LAB SUPPORT - OAR	1,753.2	1,677.9	1,696.1	-75.3	18.2				
A4HXSA ADP SUPPORT COSTS	23,686.2	22,667.6	22,236.2	-1,018.6	-431.4				
X SUPPORT COSTS	143,665.8	137,486.6	137,796.0	-6,179.2	309.4				
A SALARIES & EXPENSES	684,176.0	654,756.0	654,611.0	-29,420.0	-145.0				

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UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
BUDGET ANALYSIS RESOURCE SYSTEM

FY 1986 ENACTED VS CURRENT ESTIMATE VS JULY OPLAN
BY APPROP., MEDIA, P.E.

B ABATE CONTRL & COMPLIANCE

(BARS 01)

SELECTED APPROPRIATIONS NOA ONLY	(1) FY 86 ENACTED TOTALS$	(2) FY 86 CUREST. TOTALS$	(3) FY86 QTR OPER PLAN TOTALS$	(4) 2-1=4	(5) 3-2=5	(6)	(7)	(8)	(9)
BFHA3A STAT SRCE ENF	3,038.0	2,907.4	2,972.4	-130.6	65.0				
BFMA3B MOBILE SRCE ENFCMNT	1,821.5	1,743.2	2,393.2	-78.3	650.0				
BHTA2B EMISS STD T A &CHAR	4,217.6	4,036.3	2,896.3	-181.3	-1,140.0				
BHUA2B TEST, TECH&ADMI SUP	900.0	861.3	861.3	-38.7					
BHVA2B EMMISS & FUEL ECON	35.0	33.5	33.5	-1.5					
B11A2A EMIS STDS&TECH ASNT	10,797.3	10,333.0	9,462.3	-464.3	-870.7				
B12A2A POL STRAT&AIR ST DEV	2,377.0	2,274.8	2,204.8	-102.2	-70.0				
B13A2A ST PRG GDLNS&REG DE	524.5	502.0	502.0	-22.5					
B17A2C*CON AGCY RES SEC105	100,034.0	95,732.5	95,656.8	-4,301.5	-75.7				
B18A2C TRAINING	500.0	478.5	331.9	-21.5	-146.6				
B20A2D AIR QUAL MGT IMPLEM	694.6	664.7	693.2	-29.9	28.5				
B23A2F AMBIENT AIR Q MNTRG	114.2	109.3	261.5	-4.9	152.2				
B24A2F AQ&EMIS DATA ANALYS	1,274.3	1,219.4	1,994.6	-54.9	775.2				
A AIR	126,328.0	120,895.9	120,263.8	-5,432.1	-632.1				
BFDB3B PERMIT ISSUANCE	4,329.1	4,142.9	3,869.1	-186.2	-273.8				
BFEB3A WATER QUAL ENFORCEME	6,057.0	5,796.6	5,770.5	-260.4	-26.1				
BGMB2D DREDGE AND FILL	1,653.3	1,582.2	1,465.1	-71.1	-117.1				
BHXB2A WTR QUAL MANAGEMENT	180.0	172.3	197.3	-7.7	25.0				
BMLB2F COASTAL ENVIRON MGT	7,675.0	7,345.0	7,433.3	-330.0	88.3				
B42B2A GREAT LAKES PROGRAM	3,897.3	3,729.7	3,729.7	-167.6					
B43B2C*CLEAN LAKES PROGRAM	5,000.0	4,785.0	4,785.0	-215.0					
B44B2A CHESAPEAKE BAY WQ S	9,250.0	8,852.2	8,852.2	-397.8					
B46B2B EFFLUNT STDS & GUID	4,400.0	4,210.8	4,186.9	-189.2	-23.9				
B47B2C*CON AGCY RES SEC106	64,900.0	62,109.3	62,117.4	-2,790.7	8.1				
B49B2D OCEAN DISPOSAL PERM	6,797.2	6,505.0	6,449.5	-292.2	-55.5				
B51B2D ENV EMER RES & PREV	1,948.0	1,864.2	1,689.7	-83.8	-174.5				
B53B2F WTR Q MNTRG ANALYSI	3,815.6	3,651.6	3,509.3	-164.0	-142.3				
B54B2G MUN WST TRTMNT FAC	21,979.1	21,034.0	21,190.6	-945.1	156.6				
B7XB2D STANDARDS & REGULAT	2,515.3	2,407.1	2,514.0	-108.2	106.9				
B8GB2C TRAINING GRANTS	250.0	239.2	206.7	-10.8	-32.5				
B WATER QUALITY	144,646.9	138,427.1	137,966.3	-6,219.8	-460.8				
BMMC2E GROUNDWATER PROTECTI	1,000.0	957.0	1,032.9	-43.0	75.9				
B63C2B CRIT, STDS & GDLNS	5,103.0	4,883.5	4,870.5	-219.5	-13.0				

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UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
BUDGET ANALYSIS RESOURCE SYSTEM

FY 1986 ENACTED VS CURRENT ESTIMATE VS JULY OPLAN
BY APPROP., MEDIA, P.E.

B ABATE CONTRL & COMPLIANCE

(BARS 01)

SELECTED APPROPRIATIONS HQA ONLY	(1) FY 86 ENACTED TOTALS$	(2) FY 86 CUREST. TOTALS$	(3) FY86 QTR OPER PLAN TOTALS$	(4) 2-1=4	(5) 3-2=5	(6)	(7)	(8)	(9)
B65C2C*PUB WTR SYS SUP PRO	29,450.0	28,183.7	28,197.6	-1,266.3	13.9				
B66C2C*UNDER INJ CON PRO G	9,100.2	8,708.9	8,722.9	-391.3	14.0				
B67C2C*SPEC STUDYS & DEMO	2,350.0	2,248.9	2,248.9	-101.1					
B68C2C TRAINING	250.0	239.2	204.8	-10.8	-34.4				
B70C2D PWSS PROGRAM AST	10.0	9.6	3.0	-.4	-6.6				
C DRINKING WATER	47,263.2	45,230.8	45,280.6	-2,032.4	49.8				
B60D3A HAZ WST ENF - OTHER	9,250.0	8,852.2	8,808.1	-397.8	-44.1				
B69D2B REGS GDLNS & POL HW	54,491.0	52,148.2	51,532.6	-2,342.8	-615.6				
BYUD2C*HAZ WST MGT INIT GRT	4,750.0	4,545.7	4,545.7	-204.3					
BMZD2B RCRA REG. PROG-OAR	2,765.0	2,646.1	2,646.1	-118.9					
BHAD2B RCRA REG. PROG-OW	5,100.0	4,880.7	4,880.7	-219.3					
BHCD2C*UNDRGRD STORAGE TANK	7,000.0	6,699.0	6,699.0	-301.0					
B77D2C*HAZ WST MGT FIN AST	58,000.0	55,506.0	55,506.0	-2,494.0					
B80D2D HW MST REG STRAT IM	3,986.0	3,814.6	3,752.0	-171.4	-62.6				
D HAZARDOUS WASTE	145,342.0	139,092.5	138,370.2	-6,249.5	-722.3				
BFJE3A*PESTICIDES ENF GRAN	9,703.4	9,286.2	9,286.2	-417.2					
BFKE3A PESTICIDES ENFORCEM	195.0	186.6	219.2	-8.4	32.6				
BJREEM GENERIC CHEM REV	9,354.7	8,952.4	9,221.3	-402.3	268.9				
B8XE3A*PESTICIDES CERT TRG	2,600.0	2,488.3	2,502.3	-111.7	14.0				
B93E2K REGISTRATION	3,600.0	3,445.2	3,445.2	-154.8					
E PESTICIDES	25,453.1	24,358.7	24,674.2	-1,094.4	315.5				
B9HF2R RAD ENV IMPACT ASM	600.0	574.1	2,190.4	-25.9	1,616.3				
B99F2B RAD CRIT,STDS&GDLNS	1,544.6	1,478.2	1,161.9	-66.4	-316.3				
F RADIATION	2,144.6	2,052.3	3,352.3	-92.3	1,300.0				
BFNH3A TECH SUPP-OECM	1,705.3	1,631.9	941.9	-73.4	-690.0				
BJAH3A ENF POLICY & OPRNS	350.0	334.9	242.1	-15.1	-92.8				
BKKH2A ENV. REV.& COORD.	5,154.0	4,932.3	4,767.6	-221.7	-164.7				
B8UH2C INTERDISC TRAIN GRTS	550.0	526.3	1,400.6	-23.7	874.3				
H INTERDISCIPLINARY	7,759.3	7,425.4	7,352.2	-333.9	-73.2				

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                                                                                              PAGE     8
                              UNITED STATES ENVIRONMENTAL PROTECTION AGENCY                  07-29-86
                                   BUDGET ANALYSIS RESOURCE SYSTEM
                                                                                          TIME  9:47:59
                         FY 1986 ENACTED VS CURRENT ESTIMATE VS JULY OPLAN
                                      BY APPROP., MEDIA, P.E.
B ABATE CONTRL & COMPLIANCE
                                                                                         (BARS 01)
---------------------------------------------------------------------------------------------------------
                                  ( 1 )      ( 2 )      ( 3 )      ( 4 )      ( 5 )     ( 6 )     ( 7 )     ( 8 )     ( 9 )
SELECTED APPROPRIATIONS           FY 86      FY 86   FY86 QTR
HQA ONLY                         ENACTED    CUREST.  OPER PLAN

                                 TOTAL$0    TOTAL$0    TOTAL$0     2-1=4      3-2=5
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  BFLL3A TOX SUB ENFRCMENT       2,325.5    2,225.5    2,200.5    -100.0      -25.0
  BHZLES TOXICS INTEGRATION        731.1      699.7      579.7     -31.4     -120.0
  BJHLES CHEMICAL TESTING        4,908.3    4,697.2    4,547.2    -211.1     -150.0
  BJPLES EXISTING CHEM REV      10,760.3   10,297.6   10,168.6    -462.7     -129.0
  BJQLES NEW CHEMICAL REVIEW     7,637.7    7,309.3    7,250.8    -328.4      -58.5
  BMSLEC*ASBESTOS/SCHOOL ALB    46,000.0   44,022.0   44,022.0  -1,978.0
  BMXLEC*ASBESTOS/SCHOOL PA      4,000.0    3,827.9    2,931.0    -172.1     -896.9
  BMYLEC*ASBESTOS/SCHOOL CC                              892.5                 892.5
  B8TL3A*TOXIC SUBST ENF GRTS    2,300.0    2,201.1    2,201.1     -98.9

   L TOXIC SUBSTANCES           78,662.9   75,280.3   74,793.4  -3,382.6     -486.9

B ABATE CONTRL & COMPLIANCE    877,600.0  852,763.0  852,053.0 -24,837.0     -710.0
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UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
BUDGET ANALYSIS RESOURCE SYSTEM

FY 1986 ENACTED VS CURRENT ESTIMATE VS JULY OPLAN
BY APPROP., MEDIA, P.E.

C RESEARCH & DEVELOPMENT

(BARS 01)

SELECTED APPROPRIATIONS HQA ONLY	(1) FY 86 ENACTED TOTALS0	(2) FY 86 CUREST. TOTALS0	(3) FY86 QTR OPER PLAN TOTALS0	(4) 2-1=4	(5) 3-2=5	(6)	(7)	(8)	(9)
CHKA1E CHAR TRSPT&FT-OX-AIR	7,847.5	7,510.1	7,585.0	-337.4	74.9				
CHLA1E SCIENTIFIC ASSESS-AI	2,975.3	2,847.4	2,734.6	-127.9	-112.8				
CHMA1E MON S&QA ASSU-AIR	12,378.7	11,846.4	11,710.1	-532.3	-136.3				
CHNA1E HEALTH EFFECTS-AIR	14,852.0	14,213.3	14,187.6	-638.7	-25.7				
CHPA1E ENV ENG&TECH-AIR	6,101.4	5,839.0	5,919.2	-262.4	80.2				
CHQA1E ENV PROC&EFF - AIR	1,346.6	1,288.8	1,242.1	-57.8	-46.7				
CHRA1E STRAT MOD PROG	837.8	801.8	721.2	-36.0	-80.6				
A AIR	46,339.3	44,346.8	44,099.8	-1,992.5	-247.0				
CHSB1E SCIENT ASSESS-WTR	89.4	85.5	718.4	-3.9	632.9				
CHTB1E MON S&QA ASSU-WTR	857.3	820.4	779.9	-36.9	-40.5				
CHUB1E HEALTH EFFECTS-WTR	1,334.3	1,277.0	1,032.2	-57.3	-244.8				
CHVB1E ENV ENG & TECH-WTR	5,170.9	4,948.4	4,138.9	-222.5	-809.5				
CHWB1E ENV PROC & EFFS-WTR	2,775.4	2,656.0	3,806.0	-119.4	1,150.0				
CHOD1E GREAT LAKES RES-WTR	1,897.4	1,815.7	1,837.2	-81.7	21.5				
B WATER QUALITY	12,124.7	11,603.0	12,312.6	-521.7	709.6				
CBJC1A SCI ASSESS DRKG WTR	68.8	65.8	67.3	-3.0	1.5				
CBLC1A MON SYS&QLY ASSU DW	1,357.5	1,299.1	1,839.5	-58.4	540.4				
CBMC1A HEALTH EFF DRKG WTR	6,[illegible].5	6,035.3	5,640.1	-271.2	-395.2				
CBNC1A ENV ENG & TECH DW	2,962.7	2,835.3	2,651.4	-127.4	-183.9				
CBPC1A ENV PROC&EF DRKG WTR	4,347.2	4,160.2	4,017.2	-187.0	-143.0				
C DRINKING WATER	15,042.7	14,395.7	14,215.5	-647.0	-180.2				
CBRD1A ENV ENG&TECH HAZ WS	15,622.2	14,950.5	14,810.3	-671.7	-140.2				
CBSD1A MON SYS & QA-HW	11,705.3	11,202.0	10,444.8	-503.3	-757.2				
CBTD1A SCI ASSESS HAZ WSTE	2,731.8	2,614.3	2,599.5	-117.5	-14.8				
CBVD1A HLTH EFF HAZ WSTE	1,132.0	1,083.4	1,132.0	-48.6	48.6				
CBWD1A ENV PROC&EFF HAZ WST	6,195.4	5,929.0	6,350.0	-266.4	421.0				
CLQD1A INTEGR HAZ WSTE RSRC	2,500.0	2,392.5	2,392.5	-107.5					
D HAZARDOUS WASTE	39,886.7	38,171.7	37,729.1	-1,715.0	-442.6				
CBXE1A SCI ASSESMENT - PEST	345.3	330.5	230.3	-14.8	-100.2				

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UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
BUDGET ANALYSIS RESOURCE SYSTEM

FY 1986 ENACTED VS CURRENT ESTIMATE VS JULY OPLAN
BY APPROP., MEDIA, P.E.

C RESEARCH & DEVELOPMENT

(BARS 01)

SELECTED APPROPRIATIONS HQA ONLY	(1) FY 86 ENACTED TOTAL$	(2) FY 86 CUREST. TOTAL$	(3) FY86 QTR OPER PLAN TOTAL$	(4) 2-1=4	(5) 3-2=5	(6)	(7)	(8)	(9)
CBZE1A MON SYS&Q ASSU PEST	1,111.9	1,064.1	1,094.6	-47.8	30.5				
CCAE1A HEALTH EFFCT-PEST	2,093.7	2,003.7	1,916.4	-90.0	-87.3				
CCBE1A ENV PRO & EF - PEST	2,486.1	2,379.2	2,425.1	-106.9	45.9				
CKXE1A ENV E&T PESTICIDES	823.9	788.5	708.6	-35.4	-79.9				
E PESTICIDES	6,860.9	6,566.0	6,375.0	-294.9	-191.0				
CCFF1A MON SYS&A NONIO RAD	16.5	15.8	16.2	-.7	.4				
F RADIATION	16.5	15.8	16.2	-.7	.4				
CCHH1A EXP RES CD PRG INTE	20,160.6	19,293.7	20,035.2	-866.9	741.5				
CJOH1A TECHN INFORM LIAIS	788.8	754.9	694.4	-33.9	-60.5				
CLKH1A QUALITY ASSUR MGMT	424.7	406.4	1,094.2	-18.3	687.8				
CLLH1A SCIENT ASSESS INTER.	368.7	352.8	368.7	-15.9	15.9				
H INTERDISCIPLINARY	21,742.8	20,807.8	22,192.5	-935.0	1,384.7				
CCPL1A SCI ASSMT CT&A TOX	481.8	461.2	471.6	-20.6	10.4				
CCRL1A MON SYS&A CT&A - TS	4,503.4	4,309.8	4,174.3	-193.6	-135.5				
CCSL1A HLTH EFF - CT&A TOX	9,606.7	9,193.6	8,842.9	-413.1	-350.7				
CCTL1A ENV ENGTEC CT&A TOX	2,872.2	2,748.8	2,896.6	-123.4	147.8				
CCUL1A ENV PRO&EFF CT&A TS	7,344.4	7,028.7	7,236.1	-315.7	207.4				
L TOXIC SUBSTANCES	24,808.5	23,742.1	23,621.5	-1,066.4	-120.6				
CCVM1A ACID RN MLTI-MED EN	47,837.6	45,779.6	44,966.8	-2,058.0	-812.8				
CCZM1A ENV E&T MULT-MED EN	8,540.3	8,173.1	7,997.5	-367.2	-175.6				
CDAM1A ENV P&E MLTI MED EN	200.0	191.4	133.5	-8.6	-57.9				
M ENERGY	56,577.9	54,144.1	53,097.8	-2,433.8	-1,046.3				
C RESEARCH & DEVELOPMENT	223,400.0	213,793.0	213,660.0	-9,607.0	-133.0				

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                                                                                           PAGE    11
                              UNITED STATES ENVIRONMENTAL PROTECTION AGENCY               07-09-86
                                    BUDGET ANALYSIS RESOURCE SYSTEM
                                                                                          TIME  9:47:59
                          FY 1986 ENACTED VS CURRENT ESTIMATE VS JULY OPLAN
                                    BY APPROP., MEDIA, P.E.
B BUILDINGS & FACILITIES
                                                                                      (BARS 01)
-------------------------------------------------------------------------------------------------------
                               ( 1 )     ( 2 )     ( 3 )      ( 4 )     ( 5 )     ( 6 )     ( 7 )     ( 8 )     ( 9 )
SELECTED APPROPRIATIONS        FY 86     FY 86   FY86 QTR
HQA ONLY                      ENACTED   CURENST.  OPER PLAN

                               TOTALS0   TOTALS0   TOTALS0    2-1=4     3-2=5
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  D4JP4A REPAIRS & IMPROVEMEN  5,000.0   4,785.0   4,785.0    -215.0

   P REPAIRS & IMPROVEMENTS    5,000.0   4,785.0   4,785.0    -215.0

B BUILDINGS & FACILITIES       5,000.0   4,785.0   4,785.0    -215.0
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                                                                                                   PAGE    12
                        UNITED STATES ENVIRONMENTAL PROTECTION AGENCY                            07-09-86
                              BUDGET ANALYSIS RESOURCE SYSTEM
                                                                                              TIME  9:47:59
                 FY 1986 ENACTED VS CURRENT ESTIMATE VS JULY OPLAN
                              BY APPROP., MEDIA, P.E.

                                                                                             (BARS 01)
-------------------------------------------------------------------------------------------------------------
                                   ( 1 )      ( 2 )      ( 3 )      ( 4 )      ( 5 )      ( 6 )      ( 7 )      ( 8 )      ( 9 )
SELECTED APPROPRIATIONS            FY 85      FY 86   FY86 QTR
HQA ONLY                          ENACTED    CUREST.  OPER PLAN

                                  TOTAL$$    TOTAL$$   TOTAL$$     2-1=4      3-2=5
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     GRAND TOTAL                1490,176.0 1426,097.0 1425,189.0 -64,079.0     -908.0
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EXIMBANK

EXPORT-IMPORT BANK OF THE UNITED STATES
811 VERMONT AVENUE NW
WASHINGTON DC 20571
TELEPHONE (202) 566-2117

RECEIVED
JUL 29 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

July 17, 1986

Mr. Jack Brooks
Chairman
Committee on Government Operations
2157 Rayburn House Office Building
Washington, D. C. 20515

Dear Sir:

As requested in your letter of June 26, 1986 to John Bohn, attached is your questionnaire on the impact of the Gramm-Rudman-Hollings legislation on the Export-Import Bank. If there are any questions, please call me at 566-8837.

Yours truly,

James K. Hess
Treasurer-Controller

Attachments

Questionnaire on Gramm-Rudman-Hollings Impact

1. Export-Import Bank of the United States
   Budget Account: 83-4027-0-3-155

($ Thousands)	Original Limitation	GRH Limitation	Amount of Reduction	Percent Reduction
Direct Loans	$ 1,110,000	$ 1,062,270	$ 47,730	4.3%
Guarantees & Insurance	12,000,000	11,484,000	516,000	4.3%
Administrative Expenses	18,357	17,568	789	4.3%

2. None of the above accounts were subsequently provided with additional funding.

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Export-Import Bank of the U.S.

a) _____ delay procurements:
    I) _____ noncapital acquisitions: # delayed _____
        total $ amount _____
    II) _____ capital acquisitions: # delayed _____
        total $ amount _____
b) X restrict travel: total $ amount 100,000
    % of total travel budget 25%
c) X restrict training: total $ amount 20,000
    % of total training budget 28.6%
d) X freeze hiring: duration in months 9
    if not affecting whole agency, specify the components affected _____
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced 17 - 5.1%
        # & % of temporary employees reduced 3 - 30.0%
        # & % of other employees reduced 3 - 21.4%
e) _____ furlough: # of days _____
    # of people affected _____
    % of workforce involved _____
f) _____ rif: # of people affected _____
    % of workforce involved _____
g) _____ retire early: # of people affected _____
    % of workforce involved _____
h) _____ delay maintenance and repairs: # of projects _____
    total $ amount _____
i) _____ close field locations (specify where): _____
j) _____ reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I) _____ inspections: amt. & % reduced _____
    II) _____ audits: amt. & % reduced _____
    III) _____ technical assistance: amt. & % reduced _____
    IV) _____ other (specify) _____: amt. & % reduced _____
k) X reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I) _____ grants: amt. & % reduced _____
    II) X loans: amt. & % reduced $47.73 million - 4.3%
    III) X other (specify) guarantees: amt. & % reduced $516.0 million - 4.3%
l) _____ raise user fees (specify component, program, and amount of increase in each): _____
m) _____ other (provide details): _____

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Export-Import Bank of the U.S.

Estimated amount of reduction 1.282 million - Administrative Expenses
77.5 million - Direct Loan Program
838.3 million - Guarantee & Insurance Program.

a)_____delay procurements:
I)_____noncapital acquisitions: # delayed_____ total $ amount_____
II)_____capital acquisitions: # delayed_____ total $ amount_____

b)_____restrict travel: total $ amount_____
% of total travel budget_____

c)_____restrict training: total $ amount_____
% of total training budget_____

d)_____freeze hiring: duration in months_____
if not affecting whole agency, specify the components affected_____
resultant reduction in workforce because of attrition: # & % of permanent employees reduced_____ # & % of temporary employees reduced_____ # & % of other employees reduced_____

e)__X__furlough: # of days 26
# of people affected_____
% of workforce involved_____

f)_____rif: # of people affected_____
% of workforce involved_____

g)_____retire early: # of people affected_____
% of workforce involved_____

h)_____delay maintenance and repairs: # of projects_____
total $ amount_____

i)_____close field locations
(specify where):_____

j)_____reduce service to the public (specify component and program and give amount and percent of reduction in each):
I)_____inspections: amt. & % reduced_____
II)_____audits: amt. & % reduced_____
III)_____technical assistance: amt. & % reduced_____
IV)_____other (specify)_____: amt. & % reduced_____

k)__X__reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
I)_____grants: amt. & % reduced_____
II)__X__loans: amt. & % reduced 77.5 million - 7.3%
III)__X__other (specify) guarantees : amt. & % reduced 838.3 million - 7.3%

l)_____raise user fees (specify component, program, and amount of increase in each):_____

m)_____other (provide details):_____

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Export-Import Bank of the U.S.

Estimated amount of reduction
2.073 million - Administrative Expense
125.3 million - Direct Loan Programs
1,355.1 million - Guarantee & Insurance Programs

a)_____delay procurements:
I)_____noncapital acquisitions: # delayed_____
total $ amount_____
II)_____capital acquisitions: # delayed_____
total $ amount_____
b)_____restrict travel: total $ amount_____
% of total travel budget_____
c)_____restrict training: total $ amount_____
% of total training budget_____
d)_____freeze hiring: duration in months_____
if not affecting whole agency, specify the components affected_____
resultant reduction in workforce because of attrition:
# & % of permanent employees reduced_____
# & % of temporary employees reduced_____
# & % of other employees reduced_____
e) X furlough: # of days 42
# of people affected_____
% of workforce involved_____
f)_____rif: # of people affected_____
% of workforce involved_____
g)_____retire early: # of people affected_____
% of workforce involved_____
h)_____delay maintenance and repairs: # of projects_____
total $ amount_____
i)_____close field locations
(specify where):_____
j)_____reduce service to the public (specify component and program and give amount and percent of reduction in each):
I)_____inspections: amt. & % reduced_____
II)_____audits: amt. & % reduced_____
III)_____technical assistance: amt. & % reduced_____
IV)_____other (specify)_____: amt. & % reduced_____
k) X reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
I)_____grants: amt. & % reduced_____
II) X loans: amt. & % reduced 125.3 million - 11.8%
III) X other (specify) guarantees : amt. & % reduced 1,355.1 million- 11.8%
l)_____raise user fees (specify component, program, and amount of increase in each):_____
m)_____other (provide details):_____

FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

JUL 08 1986

OFFICE OF
MANAGING DIRECTOR

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HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

Honorable Jack Brooks
U.S. House of Representatives
Committee on Government Operations
2157 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Brooks:

This is in response to your letter to Chairman Fowler dated June 26, 1986.

Enclosed is the Federal Communications Commission's questionnaire on various aspects of Gramm-Rudman-Hollings. For additional information or clarification, please contact Marilyn J. McDermett, 632-5316.

Sincerely,

Edward J. Minkel
Managing Director

Enclosure

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

The Federal Communications Commission (FCC) has one budget account account.

Account Title: Salaries and Expenses
Account ID Code: 30-60-0100-0-1-376-A; 27-0100
Amount of Reduction: $4,059,000
Percentage of Reduction: 4.3

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

None.

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/Agency Federal Communications Commission (FCC)

a) X delay procurements:
I) _____ noncapital acquisitions: # delayed ________
total $ amount _____
II) X capital acquisitions: # delayed ______ **Note: The FCC deferred most ADP/Technical Equipment purchases; exact # is not known, but in hundreds.**
total $ amount $1,096,900 (62.6%)
b) X restrict travel: total $ amount $138,600
% of total travel budget 16.7%
c) X restrict training: total $ amount $73,000
% of total training budget 57%
d) X freeze hiring: duration in months 12 **(FCC was in partial hiring freeze for first 4 months; total hiring freeze 8 mos.)**
resultant reduction in workforce because of attrition:
& % of permanent employees reduced 105 (6%) **projected to yr-end**
& % of temporary employees reduced 3 (13%)
& % of other employees reduced ____________
e) X furlough: # of days ________
# of people affected ______
% of workforce involved ________
NOTE: The FCC projected 2 furlough days for all employees (except Commissioners). Through greater than anticipated attrition, we believe this can be avoided.
f) _____ rif: # of people affected ______
% of workforce involved ______
g) _____ retire early: # of people affected _______
% of workforce involved ____
NOTE: Early out not approved by OPM.
h) X delay maintenance and repairs: # of projects 1
total $ amount $22,000

i) ______close field locations (specify where):__________________ ______________________

j) __X__reduce service to the public (specify component and program and give amount and percent of reduction in each):

  I) _____inspections: amt. & % reduced _____

  II) _____audits: amt. & % reduced _____

  III) _____technical assistance: amt. & % reduced _____

  IV) _____other (specify)______: amt. & % reduced _____

  NOTE: Although we cannot specify exact amounts and % reductions because we did not track specifically where attrition occurred, due to loss of staff, we did conduct fewer inspections and audits and were not able to provide as much technical assistance as previously. Additionally, our Authorization of Service programs (licensing) were also impacted due to loss of staff.

k) ______reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):

  I) _____grants: amt. & % reduced _____

  II) _____loans: amt. & % reduced _____

  III) _____other (specify) _____: amt. & % reduced _____

l) ______raise user fees (specify component, program, and amount of increase in each):____

m) ______other (provide details): **Promotion freeze. The FCC instituted a for all FCC employees on February 3, 1986. The goal of this freeze was to save approximately $200,000 and offset the deficit (avoid furloughs) by this amount.**

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT
(Continued)

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be afffected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/Agency **Federal Communications Commission (FCC)**

Estimated amount of reduction **$6,594,893**

a) __X__ delay procurements:
    I) ____ noncapital acquisitions: # delayed ________
        total $ amount ____
    II) __X__ capital acquisitions: # delayed ______ **NOTE: The FCC will defer most ADP/Technical Equipment purchases; exact # is not known, but in hundreds.**
        total $ amount **$1,760,000 (69%)**

b) __X__ restrict travel: total $ amount **$380,000**
    % of total travel budget **36%**

c) ______ restrict training: total $ amount _______ **NOTE: The FCC cannot continue to eliminate training in this environment. In fact, training will become more critical as staff size shrinks.**
    % of total training budget _______

d) __X__ freeze hiring: duration in months **12 (Partial: Replace 1 of 3)**
    resultant reduction in workforce
    because of attrition: **(Start year: 1,720)**
        # & % of permanent employees
        reduced **86 (5%)**
        # & % of temporary employees
        reduced **2 (5%)**
        # & % of other employees
        reduced ____________

e) __X__ furlough: # of days **10**
    # of people affected **1,715 (All but 5 Commissioners)**
    % of workforce involved **99.7%**

f) __X__ rif: # of people affected **92**
    % of workforce involved **5.4%**

g) __X__ retire early: # of people affected _______ **NOTE: FCC will request**
    % of workforce involved ____ **authority from OPM.**

h) ______ delay maintenance and repairs: # of projects ______
    total $ amount _______

i) __X__ close field locations
    (specify where): **This will require further analysis**

j) __X__ reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I) _____ inspections: amt. & % reduced _____
    II) _____ audits: amt. & % reduced _____
    III) _____ technical assistance: amt. & % reduced _____
    IV) _____ other (specify) ______: amt. & % reduced _____

NOTE: Although we cannot specify the exact amounts and % reductions since we do not know where attrition will come from, we do know that most programs will be impacted by the loss of staff. There will be fewer inspections, audits, technical assistance, and Authorization of Service (licensing) will be impacted.

k) ______reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I) _____grants: amt & % reduced _____
    II) _____loans: amt. & % reduced _____
    III) _____other (specify) _____: amt. & % reduced _____

l) ______raise user fees (specify component, program, and amount of increase in each): ____

m) ______other (provide details): This budget scenario would reduce the FCC to approximately 1,525 FTP positions (from 1,720) by the end of the fiscal year. Major adjustments would have to be made to the Commission's activities.

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT
(Continued)

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be afffected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/Agency Federal Communications Commission (FCC)

Estimated amount of reduction $10,660,238

a) __X__ delay procurements:
   I) _____ noncapital acquisitions: # delayed ________
      total $ amount _____
   II) __X__ capital acquisitions: # delayed ______ NOTE: The FCC will defer most ADP/Technical Equipment purchases; exact # is not known, but in hundreds.
      total $ amount $1,760,000 (69%)

b) __X__ restrict travel: total $ amount $380,000
   % of total travel budget 36%

c) ______ restrict training: total $ amount _______ NOTE: The FCC cannot continue to eliminate training in this environment. In fact, training will become more critical as staff size shrinks.
   % of total training budget _______

d) __X__ freeze hiring: duration in months 12 (Partial: Replace 1 of 3)
   resultant reduction in workforce because of attrition: (Start year: 1,720)
   # & % of permanent employees reduced 86 (5%)
   # & % of temporary employees reduced 2 (5%)
   # & % of other employees reduced ____________

e) __X__ furlough: # of days 15
   # of people affected 1,715 (All but 5 Commissioners)
   % of workforce involved 99.7%

f) __X__ rif: # of people affected 280
   % of workforce involved 16.3%

g) __X__ retire early: # of people affected _______ NOTE: FCC will request
   % of workforce involved ____ authority from OPM.

h) ______ delay maintenance and repairs: # of projects ______________
   total $ amount _______

i) __X__ close field locations
   (specify where): This will require further analysis

j) __X__ reduce service to the public (specify component and program and give amount and percent of reduction in each):
   I) _____ inspections: amt. & % reduced _____
   II) _____ audits: amt. & % reduced _____
   III) _____ technical assistance: amt. & % reduced _____
   IV) _____ other (specify) ______: amt. & % reduced _____

NOTE: Although we cannot specify the exact amounts and % reductions since we do not know where attrition will come from, we do know that most programs will be impacted by the loss of staff. There will be fewer inspections, audits, technical assistance, and Authorization of Service (licensing) will be impacted.

k) ______reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I) _____grants: amt. & % reduced _____
    II) _____loans: amt. & % reduced _____
    III) _____other (specify) _____: amt. & % reduced _____
l) ______raise user fees (specify component, program, and amount of increase in each): ____
m) ______other (provide details): This budget scenario would reduce the FCC to approximately 1,354 FTP positions (from 1,720) by the end of the fiscal year. Major adjustments would have to be made to the Commission's activities. In fact, Congressional authority to eliminate major functions would be required.

FEDERAL DEPOSIT INSURANCE CORPORATION, Washington, D.C. 20429

OFFICE OF THE CHAIRMAN

July 11, 1986

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HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

Honorable Jack Brooks
Chairman
Committee on Government Operations
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

Thank you for your June 26, 1986 letter requesting completion of a questionnaire on the Gramm-Rudman-Hollings Act ("GRH"). We want to take this opportunity to briefly reiterate some of our concerns over GRH's adverse impact on FDIC.

FDIC is experiencing a period of unparalleled growth due to the largest number of bank failures since the Great Depression, a trend we expect to continue at least through 1987. Such an environment calls for stringent regulatory oversight to detect and hopefully reduce the number of anticipated bank failures. In addition, the administration of the increased volume of assets acquired from failed banks has severely impacted our organization.

The computed reductions as set forth in the attached questionnaire, if followed, would reduce our supervisory activities and thus contribute to an increased incidence of bank failures. I feel the frequency of the FDIC's examinations should be increased, which will require additional personnel.

I am enclosing a copy of my June 17, 1986 House Banking Subcommittee testimony which describes in more detail my concerns in this area. (Not reprinted here)

Should you have any questions regarding our response to the questionnaire, you may contact Stanley J. Poling, Director, Division of Accounting and Corporate Services at (202) 898-6944.

Sincerely,

L. Wm Seidman

L. William Seidman
Chairman

Enclosures

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Federal Deposit Insurance Corporation

a) yes delay procurements:
    I) yes noncapital acquisitions: # delayed 7
        total $ amount $0.8M
    II) yes capital acquisitions: # delayed ?
        total $ amount $1.2M
b) yes restrict travel: total $ amount $2.5M
    % of total travel budget 9%
c) yes restrict training: total $ amount $0.6M
    % of total training budget 11%
d) yes freeze hiring: duration in months 5 months partial freeze
    if not affecting whole agency, specify the components affected ______
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced ______
        # & % of temporary employees reduced ______
        # & % of other employees reduced ______
e) no furlough: # of days ______
    # of people affected ______
    % of workforce involved ______
f) no rif: # of people affected ______
    % of workforce involved ______
g) no retire early: # of people affected ______
    % of workforce involved ______
h) yes delay maintenance and repairs: # of projects 7
    total $ amount $1.2M
i) no close field locations
    (specify where): ______
j) no reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I) ______ inspections: amt. & % reduced ______
    II) ______ audits: amt. & % reduced ______
    III) ______ technical assistance: amt. & % reduced ______
    IV) ______ other (specify) ______: amt. & % reduced ______
k) no reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I) ______ grants: amt. & % reduced ______
    II) ______ loans: amt. & % reduced ______
    III) ______ other (specify) ______: amt. & % reduced ______
l) no raise user fees (specify component, program, and amount of increase in each): ______
m) yes other (provide details): $1.3M of reductions in various expense categories not addressed above (overtime. shipping, printing, etc.)

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Federal Deposit Insurance Corporation

Estimated amount of reduction $15 M (Total budget remaining = $190 M)

a) yes delay procurements:
  I) yes noncapital acquisitions: # delayed ______
    total $ amount $4 M
  II) ______ capital acquisitions: # delayed ______
    total $ amount ______
b) yes restrict travel: total $ amount $1.5 M
  % of total travel budget 5.5% cut beyond present cuts
c) yes restrict training: total $ amount to extent of '86 cuts (0.6 M)
  % of total training budget 11%
d) yes freeze hiring: duration in months complete freeze from 10-1-86
  if not affecting whole agency, specify the components affected ______
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 189 total attrition by 10-1-87
    # & % of temporary employees reduced ______
    # & % of other employees reduced ______
e) yes furlough: # of days 9
  # of people affected 3,154
  % of workforce involved 100% of all non-liquidation personnel
f) no rif: # of people affected ______
  % of workforce involved ______
g) no retire early: # of people affected ______
  % of workforce involved ______
h) no delay maintenance and repairs: # of projects ______
  total $ amount ______
i) no close field locations
  (specify where): ______
j) yes reduce service to the public (specify component and program and give amount and percent of reduction in each): 293 (10%) bank safety and soundness examinations + 118 (10%) compliance exams + 58 (10%) other exams + 355 (10%) invest./visit.
  I) ______ inspections: amt. & % reduced ______
  II) ______ audits: amt. & % reduced ______
  III) ______ technical assistance: amt. & % reduced ______
  IV) ______ other (specify) ______: amt. & % reduced ______
k) no reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) ______ grants: amt. & % reduced ______
  II) ______ loans: amt. & % reduced ______
  III) ______ other (specify) ______: amt. & % reduced ______
l) yes raise user fees (specify component, program, and amount of increase in each): Sales of Rules/Regs, Call Report Seminars and Other publications $1.0 M
m) no other (provide details): ______

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Federal Deposit Insurance Corporation

Estimated amount of reduction $24 M (Total budget remaining = $184 M)

a) yes delay procurements:
    I) yes noncapital acquisitions: # delayed ________
        total $ amount $4 M
    II) ____ capital acquisitions: # delayed ________
        total $ amount ________
b) yes restrict travel: total $ amount $2.6 M
    % of total travel budget 9% cut beyond present cuts
c) yes restrict training: total $ amount to extent of '86 cuts cont. ($0.6 M)
    % of total training budget 11%
d) yes freeze hiring: duration in months complete freeze from 10-1-86
    if not affecting whole agency, specify the components affected ________
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced 189 less by 10-1-87
        # & % of temporary employees reduced ________
        # & % of other employees reduced ________
e) yes furlough: # of days 19
    # of people affected 3,154
    % of workforce involved all non-liquidation personnel
f) no rif: # of people affected ________
    % of workforce involved ________
g) no retire early: # of people affected ________
    % of workforce involved ________
h) no delay maintenance and repairs: # of projects ________
    total $ amount ________
i) no close field locations
    (specify where): ________
j) yes reduce service to the public (specify component and program and give amount and percent of reduction in each): 470 (16%) bank safety and soundness examinations + 190 (16%) compliance exams + 110 (16%) other exams + 570 (16%) invest./visit.
    I) ____ inspections: amt. & % reduced ________
    II) ____ audits: amt. & % reduced ________
    III) ____ technical assistance: amt. & % reduced ________
    IV) ____ other (specify) ________: amt. & % reduced ________
k) no reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I) ____ grants: amt. & % reduced ________
    II) ____ loans: amt. & % reduced ________
    III) ____ other (specify) ________: amt. & % reduced ________
l) yes raise user fees (specify component, program, and amount of increase in each): sales of Rules/Regs, Call Report Seminars and other publications $1.0 M
m) no other (provide details): ________

FEDERAL ELECTION COMMISSION
WASHINGTON DC 20463

OFFICE OF THE CHAIRMAN

July 15, 1986

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HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

The Honorable Jack Brooks
Chairman
Committee on Government Operations
United States House of Representatives
2157 Rayburn House Office Building
Washington, D. C. 20515

Dear Mr. Chairman:

Enclosed is the Federal Election Commission's response to the June 26 questionnaire concerning the impact of Gramm-Rudman-Hollings. I have attached the Commission's revised FY 1986 Management Plan (Attachment A), which details how the FEC dealt with Gramm-Rudman-Hollings in FY 1986. As this document relates, the most salient impact was the curtailment of the level of detail of information coded and data entered into our computerized disclosure data base. The reductions also significantly impacted upon our informational and filer assistance programs, as well as the overall quality of administrative support for Commission operations across-the-board.

For FY 1987, the Commission staff has prepared possible impacts of the proposed 7.3 percent and 11.8 percent sequesters on Commission operations. However, a final Commission decision by at least four of our six members would be required to implement any of the necessary reductions in service and/or operations. Accordingly, the responses to these questions should be viewed as possible scenarios, none of which have been formally proposed to, or adopted by, the Commission.

A review of the possible scenarios leaves little doubt that the impact of such sequesters would be most harmful to the Commission's operations. The ability of the Commission to successfully perform its mission would be severely damaged at these proposed funding levels. The use of the FY 1986 post Gramm-Rudman-Hollings funding level as a base is particularly damaging to the Commission, because it reflects the fact that accounts in the Treasury, Postal, and General Government appropriation did not have the proposed, but never enacted, 5 percent pay cut funds restored prior to the sequestration order. Therefore, the FEC and all other agencies in the appropriation received a double cut in FY 1986.

Any questions regarding the responses can be directed to John O'Brien. the Director of Planning and Management at the FEC. His number is 376-5297.

Sincerely,

Joan D. Aikens

Joan D. Aikens
Chairman

Enclosures

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. See Attachment B

2. No supplemental or other additions

3. d. See Attachment A
   j. See Attachment A
   l. See Attachment A
   m. See Attachment A

The FY 1986 reductions required a cutback in service to the public and to those filing under the provisions of the Federal Election Campaign Act (FECA).

4. a. Funding of Clearinghouse projects (procurements), was delayed in FY 1986. Additional reductions could further delay if not kill any work on the electronic Voting Systems Standards Project.

d. e. & f. Figures show result of sole use of each option to cover reductions. Final result could be a mix of the options.

j. & l. The FY 1986 reductions eliminated the FEC state computer access program for state elections offices. Continuation of the reductions would eliminate any effort to revive this program. The cuts in the disclosure and informational programs in FY 1986 would deepen in FY 1987. This includes assistance to filers in complying with the FECA. Fees would be required for publications and brochures which are now free.

5. a. At this level, the Clearinghouse would most likely be eliminated from all operations: no projects, staff, etc.

d. e. & f. Same as 4, above.

j. l. & m. At this level, almost all outreach and informational programs would be totally eliminated. This level of funding could require the FECA to charge filers for copies of the FECA and FEC Regulations, as well as all other publications. No outreach efforts would be funded; all technical assistance would be responsive in nature only.

Furthermore, at this level the Commission would most likely eliminate or at best severely reduce its internal enforcement and reports review programs. Enforcement would be limited to responding to complaints filed externally and enforcing the presidential funding program.

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

see attachment B

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

Not applicable

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency FEDERAL ELECTION COMMISSION (FEC)

a) ✓ delay procurements:
  I) ✓ noncapital acquisitions: # delayed 2
    total $ amount $62,500 (65% [illegible])
  II) N.A. capital acquisitions: # delayed ____
    total $ amount ____
b) ✓ restrict travel: total $ amount $55,800
  % of total travel budget 39.7%
c) ✓ restrict training: total $ amount $22,000
  % of total training budget 78.6%
d) ✓ freeze hiring: duration in months [illegible] months
  if not affecting whole agency, specify the components affected ____
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 12 5%
    # & % of temporary employees reduced 14 70%
    # & % of other employees reduced N.A.

NOT HIRE PLANNED EXECUTIVE STAFF

NOT FILL SOME VACANCIES

see attachment C

e) N.A. furlough: # of days ____
  # of people affected ____
  % of workforce involved ____
f) N.A. rif: # of people affected ____
  % of workforce involved ____
g) N.A. retire early: # of people affected ____
  % of workforce involved ____
h) N.A. delay maintenance and repairs: # of projects N.A.
  total $ amount N.A.
i) N.A. close field locations
  (specify where): N.A.
j) ✓ reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) N.A. inspections: amt. & % reduced N.A.
  II) N.A. audits: amt. & % reduced N.A.
  III) ✓ technical assistance: amt. & % reduced see attached
  IV) ✓ other (specify) ____: amt. & % reduced see attached
k) N.A. reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) ____ grants: amt. & % reduced ____
  II) ____ loans: amt. & % reduced ____
  III) ____ other (specify) ____: amt. & % reduced ~~[illegible]~~
l) ✓ raise user fees (specify component, program, and amount of increase in each): see attached
m) ✓ other (provide details): see attached

-2-

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency FCC

Estimated amount of reduction $868,554

a) ✓ delay procurements:
  I) ✓ noncapital acquisitions: # delayed 3
    total $ amount [illegible]
  II) ____ capital acquisitions: # delayed ____
    total $ amount ____
b) ✓ restrict travel: total $ amount $28,200
  % of total travel budget [illegible]
c) ✓ restrict training: total $ amount [illegible]
  % of total training budget [illegible]
d) ✓ freeze hiring: duration in months [illegible]
  if not affecting whole agency, specify the components affected [illegible]
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 17 [illegible]
    # & % of temporary employees reduced ____
    # & % of other employees reduced ____
e) ✓ furlough: # of days 19
  # of people affected 235
  % of workforce involved 100%
f) ✓ rif: # of people affected 25
  % of workforce involved 10.6%
g) N.A. retire early: # of people affected ____
  % of workforce involved ____
h) ✓ delay maintenance and repairs: # of projects 2-3
  total $ amount [illegible]
i) N.A. close field locations
  (specify where): ____
j) ✓ reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) N.A. inspections: amt. & % reduced ____
  II) N.A. audits: amt. & % reduced ____
  III) ✓ technical assistance: amt. & % reduced see attached
  IV) ✓ other (specify) ____: amt. & % reduced [illegible]
k) N.A. reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) ____ grants: amt. & % reduced ____
  II) ____ loans: amt. & % reduced ____
  III) ____ other (specify) ____: amt. & % reduced ____
l) ✓ raise user fees (specify component, program, and amount of increase in each): see attached
m) ✓ other (provide details): see attached

-3-

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency FCC

Estimated amount of reduction $1,403,964

a) ✓ delay procurements:
    I) ✓ noncapital acquisitions: # delayed 3
        total $ amount $82,100
    II) ___ capital acquisitions: # delayed ___
        total $ amount ___
b) ✓ restrict travel: total $ amount $39,200
    % of total travel budget 37%
c) ✓ restrict training: total $ amount $2,200
    % of total training budget 37%
d) ✓ freeze hiring: duration in months [illegible]
    if not affecting whole agency, specify the components affected [illegible]
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced 28 11.3%
        # & % of temporary employees reduced ___
        # & % of other employees reduced ___
e) ✓ furlough: # of days 31
    # of people affected 235
    % of workforce involved 100%
f) ✓ rif: # of people affected 40
    % of workforce involved 17%
g) N.A. retire early: # of people affected ___
    % of workforce involved ___
h) ✓ delay maintenance and repairs: # of projects 3-4
    total $ amount $40,000
i) N.A. close field locations
    (specify where): ___
j) ✓ reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I) N.A. inspections: amt. & % reduced ___
    II) N.A. audits: amt. & % reduced ___
    III) ✓ technical assistance: amt. & % reduced see attached
    IV) ✓ other (specify) ___: amt. & % reduced see attached
k) N.A. reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I) ___ grants: amt. & % reduced ___
    II) ___ loans: amt. & % reduced ___
    III) ___ other (specify) ___: amt. & % reduced ___
l) ✓ raise user fees (specify component, program, and amount of increase in each): see attached
m) ✓ other (provide details): see attached

ATTACHMENT A

AGENDA DOCUMENT #86-13

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

86 JAN 27 A9:35

SUB[illegible]

MEMORANDUM

TO: THE COMMISSION

FROM: JOHN C. SURINA,
STAFF DIRECTOR

SUBJECT: FISCAL 1986 BUDGET REDUCTIONS AND AMENDMENTS TO OUR '86 MANAGEMENT PLAN

DATE: JANUARY 24, 1986

Over the past two weeks, the Finance Committee has met repeatedly in extended sessions to assess the impact of the automatic cuts imposed by the Gramm-Rudman-Hollings Act, debate alternative approaches to adapt to those reductions, and to devise a rational recommendation for consideration by the Commission. What follows is a brief recounting of those meetings.

SUMMARY OF THE CUTS

In addition to the 4.3% reduction in budget authority flowing from the operation of the Gramm-Rudman-Hollings Act, this agency also took a 5% cut in its personnel compensation budget under the false assumption that there was to be a government-wide pay cut this year. We share this distinction of taking two cuts with other agencies covered by the Treasury-Postal Appropriation. The delay in our relocation from 1325 K to 999 E has saved us some funds, but an amount inadequate to offset either of the two reductions, much less their combined impact.

Compounding the problem is the fact that we are already one third into the fiscal year; leaving us only two thirds of a year to absorb the reductions. Notwithstanding the fact that our SLUC (Rent) payments for the first quarter were at the old (1325 K) rates, that there was a delay in relocating the Commission and that our first quarter staffing was, as planned, roughly eleven under ceiling, we expended almost the full quarter of the amount authorized under the year-long Continuing Resolution.

AGENDA ITEM
For Meeting of: 1-30-86

Third, to the extent that we would have to reduce the personnel budget, we sought to achieve those cuts by means other than reduction-in-force or furlough. Since our non-personnel expenses comprise only 30% of our budget, it was clear the cuts would reach our personnel compensation budget. Rather than compound the impact of the cuts by either RIF or furlough, which entail additional costs, we first sought to restrain or freeze hiring in those programs not expressly mandated by law. This latter ground-rule tended to narrow the focus to our disclosure program since our cyclical hiring for the '86 election in Data Systems and Public Disclosure has not yet begun. As mentioned earlier, we purposely held down staffing in the first quarter of the fiscal year in order to sustain a major staffing up of lower level employees as we approached election day. The attached graph indicates how we would have expended our staff-year ceiling per our original management plan.

RECOMMENDATIONS

The attached revised management plan outlines in dollars within object class where the Finance Committee believes the cuts should be sustained. Beyond a drastic across-the-board cut in all non-personnel expense categories, the Committee addressed specific activities within the several divisions of the Commission in keeping with the aforementioned criteria.

In dollar terms, we propose making up the $621,000 shortfall by taking $226,000 out of our personnel compensation budget and $395,000 from non-personnel expenses. Within the latter, roughly $215,000 will come from contract authority and some $180,000 from general support items such as travel, supplies, training, and the like.

Our first step is to freeze employment at our current level of 234; a full eleven staff years under our full-time-equivalent (FTE) ceiling of 245. We will not, as planned, hire the temporary coders in the Data Division, and will fill vacancies in other Divisions only on an as-justified, case-by-case basis. The bulk of the cut absorbed within the personnel compensation budget will therefore be borne by Data Systems.

The $180,000 reduction in general support will be borne equally throughout the Commission. Details are provided in the attached charts. The major focus of these reductions was on the Travel, Training, Printing, Publications, Postage, Supplies, Equipment Purchases and Administrative Expenses object classes. As a result, the outreach programs; workshops, printed publications, as well as mass mailings, will be significantly curtailed.

The general impact will be felt by all offices: training is frozen; incentive awards are eliminated; supply purchases reduced; and only essential equipment will be purchased or replaced on a strict priority basis. The planned cyclical replacement of worn and old equipment has been abandoned for FY 1986.

$62,500 of the reduction in contract authority will be achieved by deferring the award of our contract to update our Election Case Law publication and reducing the amount of the absentee voting contract. We also propose cancelling our court reporter service contract.

The effect of the reductions in Data will be as follows:

- Timeliness
  The median frame required for data entry could double.
- Accuracy
  The accuracy of detailed information will be reduced because a less expensive method of data entry will be used.
- Completeness
  Reduced availability of detailed information.
- Remaining Data Available
  Committee contributions to candidates
  Independent expenditure activity
  Communication costs filings (Packwood)

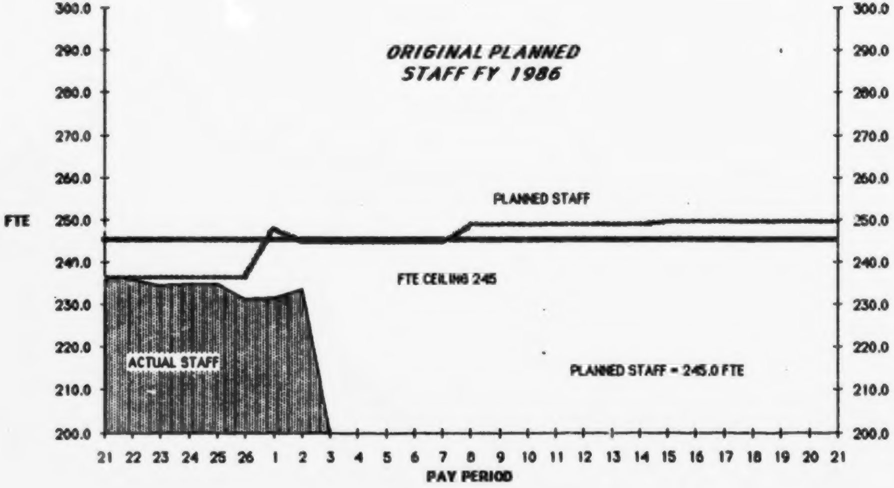
Cutting back our automated disclosure program is a radical action; however, it is consistent with the ground-rules we established for ourselves.

- This activity is not expressly mandated by law. The statutory mandate to index and compile the information within the reports is, in gross terms, satisfied by our Pass I entry.
- This activity could be fully restored for the '88 election cycle. Unfortunate as loosing portions of our '86 cycle data base may be, we can resume capturing the eliminated itemized information at a later date with minimum start-up costs. This, of course, assumes future funding so permits.
- The additional staff who would have been assigned this work have not yet been hired. We are just at that point in our cyclic hiring where we would start bringing on coders for the waves of information flowing in on the '86 cycle. It is far less expensive, both in economic and human terms, to not hire rather than to fire. If we do not hire the personnel who would be assigned Pass III data related duties, we can hire against at least some of the future vacancies elsewhere in the Commission.

The Finance Committee seriously considered eliminating all itemized disclosure information from the data base, retaining only the summary information now captured under Pass I.

Our data processing staff, however, have requested the opportunity to attempt to salvage PAC activity and Communication Costs without the contract and temporary employee resources normally available for this work. No guarantees were tendered by staff nor imposed by the Finance Committee on this attempt.

PLANNED FTE FOR FY 1986



ACTUAL VS. PLANNED FTE AS OF 1/21/86

REVISED MANAGEMENT PLAN FY 1986

MANAGEMENT PLAN FY 1986 ANALYSIS 1/24/86	ORIGINAL ANNUAL BUDGET		REVISED ANNUAL BUDGET		DIFFERENCE	
SALARIES & BENEFITS		8,607,000		8,372,627		-234,373
OVERTIME		20,000		28,344		8,344
WITNESSES		5,000		4,892		-108
CASH AWARDS		20,000		20,000		0
UNEMPLOYMENT		10,000		10,000		0
TOTAL PERSONNEL		**8,662,000**		**8,435,863**		**-226,137**
TRAVEL		160,848		105,748		-55,100
MOTOR POOL		5,200		5,200		0
TRANS. OF THINGS		1,603		1,603		0
GSA SPACE		1,542,000		1,305,000		-237,000
COMMERCIAL SPACE		20,000		20,000		0
EQUIPMENT RENTAL		233,000		243,000		10,000
PRINTING		267,086		239,586		-27,500
MICROFILM PRINTS		40,500		40,500		0
TRAINING		27,955		4,955		-23,000
ADMIN. EXPENSES		73,732		68,569		-5,163
SUPPORT CONTRACTS		943,000		730,500		-212,500
ADP CONTRACT	764,000		683,000		-81,000	
DATA ENTRY	84,000		15,000		-69,000	
C. HOUSE	95,000		32,500		-62,500	
OTHER	0		0		0	
SUPPLIES & MATERIALS		150,000		125,000		-25,000
PUBLICATIONS		69,437		60,337		-9,100
TELEPHONE--LOCAL		127,500		127,500		0
LONG DISTANCE TOLLS		3,500		3,500		0
TELEGRAPH		1,139		1,139		0
POSTAGE		118,000		100,000		-18,000
TELEPHONE INTERCITY		197,000		197,000		0
RECURRING SERVICES		51,500		51,500		0
NON-RECURRING SERVICES		1,500		1,500		0
EQUIPMENT PURCHASES		59,500		30,000		-29,500
LAPSE		0		0		0
RESERVE		0		0		0
TOTAL NON-PERSONNEL		**4,094,000**		**3,462,137**		**-631,863**
TOTAL COMMISSION		**12,756,000**		**11,898,000**		**-858,000**

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ATTACHMENT B

OMB Central Budget Management System
BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985
SEQUESTRATION REPORT
(FY 1986 dollars in thousands)
Percentages Used: Non-Defense - 4.3

Account title, Category	Sequester Baseline			Sequester
	OMB	CBO	Average	
(30-65-1600-X-1-806-A; 95-1600)				
Salaries and expenses				
			Budgetary Resources	
Budget Authority	12,433	12,433	12,433	535
401(c) Authority	0	0	0	0
401(c) Authority - ASI	0	0	0	0
Direct Loan Limitation	0	0	0	0
Guaranteed Loan Limitation	0	0	0	0
Obligation Limitation	0	0	0	0
Outlays	11,118	10,757	10,938	472

ATTACHMENT B

Page 1 of 1

PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency: Federal Election Commission

Account Title: Salaries and expenses

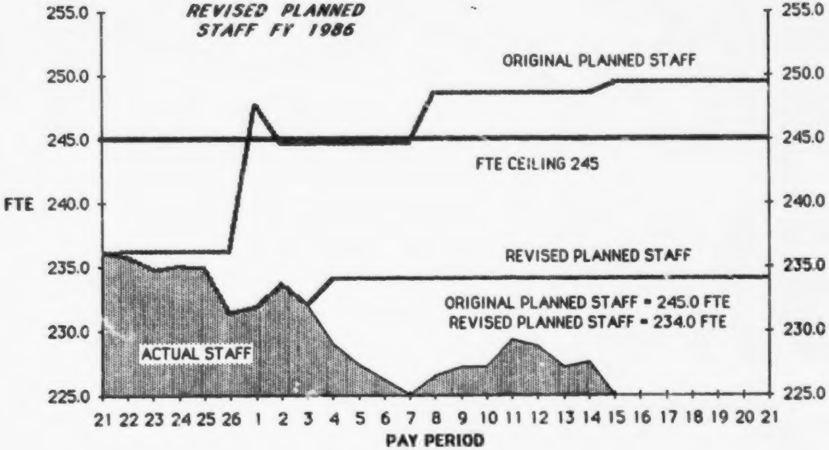
Account ID code: 30-65-1600-X-1-806-A; 95-1600

Source: H.R. 3036 Conference Report and P.L. 99-190

	Budgetary Resources	
Program, project, activity	Base	Sequester
1. Salaries and expenses	12,433	535
Total	12,433	535

ATTACHMENT C

REVISED PLANNED FTE FOR FY 1986



ACTUAL VS. PLANNED FTE AS OF 7/5/86

Federal Emergency Management Agency
Washington, D.C. 20472

JUL 15 1986

RECEIVED
1 6 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

The Honorable Jack Brooks
Committee on Government Operations
2157 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Brooks:

The Director has asked me to respond to your request for information on the effects of Graham-Rudman-Hollings (G-R-H) reductions to the Agency's programs.

The enclosed table provides the Agency's budget accounts affected by Graham-Rudman-Hollings. It also shows dollar amounts and percentage of reduction in the G-R-H sequestration and amounts received from supplemental appropriations.

Where possible, we have provided the data requested in your questionnaire. However, there are peculiarities in FEMA's appropriations that require explanation.

With respect to data requested for FY 1986, FEMA has operated under two continuing resolutions and, finally, under appropriations that contained substantial funding reductions prior to the G-R-H sequestrations. This has created a situation where we find it difficult to differentiate between actions necessitated by G-R-H reductions and those required as a result of general reductions to our FY 1986 appropriations.

Reductions to FEMA's FY 1987 appropriations of the magnitude identified in your questionnaire would necessitate a major review of the delivery of the Agency's programs which could result in the elimination of or a drastic reduction to some programs in order to maintain programs of higher priority. However, since this review has not yet taken place, a percentage reduction to all programs has been assumed in responding to your questionnaire.

If you have any questions concerning this information, please contact Steve Springmann of my staff on 646-3800.

Sincerely,

Barbara A. Jacobik
for William F. W. Jones
Comptroller

Attachments

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Federal Emergency Management Agency

a)_____delay procurements:
  I)_____noncapital acquisitions: # delayed Unknown
    total $ amount 785,000
  II)_____capital acquisitions: # delayed Unknown
    total $ amount 8,068,000
b)_____restrict travel: total $ amount 1,720,000
  % of total travel budget 34%
c)_____restrict training: total $ amount 250,000
  % of total training budget 83%
d) 1/ freeze hiring: duration in months_____
  if not affecting whole agency, specify the components affected_____
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 67 pos. - 3%
    # & % of temporary employees reduced --
    # & % of other employees reduced --
e)_____furlough: # of days --
  # of people affected --
  % of workforce involved --
f)_____rif: # of people affected --
  % of workforce involved --
g)_____retire early: # of people affected --
  % of workforce involved --
h) 2/ delay maintenance and repairs: # of projects_____
  total $ amount_____
i)_____close field locations
  (specify where): --
j)_____reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I)_____inspections: amt. & % reduced --
  II)_____audits: amt. & % reduced --
  III)_____technical assistance: amt. & % reduced_____
  IV)_____other (specify) --: amt. & % reduced --
k)_____reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) 3/ grants: amt. & % reduced $7,466,000 - 4.5%
  II)_____loans: amt. & % reduced_____
  III) 4/ other (specify)_____: amt. & % reduced $645,000 - 2.6%
l)_____raise user fees (specify component, program, and amount of increase in each): --
m)_____other (provide details): --

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through [illegible]" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Federal Emergency Management Agency

Estimated amount of reduction $56,352,000

a)_____delay procurements:
I)_____noncapital acquisitions: # delayed unknown
total $ amount $12,205,000
II)_____capital acquisitions: # delayed unknown
total $ amount $1,105,000

b)_____restrict travel: total $ amount__________
% of total travel budget__________

c)_____restrict training: total $ amount__________
% of total training budget__________

d)_____freeze hiring: duration in months 12
if not affecting whole agency, specify the components affected --
resultant reduction in workforce because of attrition:
# & % of permanent employees reduced 120 5.9%
& % of temporary employees reduced --
# & % of other employees reduced --

e)_____furlough: # of days 11-14
# of people affected 2,050
% of workforce involved 100%

f)_____rif: # of people affected 0-100
% of workforce involved 0% - 4.9%

g)_____retire early: # of people affected 0-100
% of workforce involved 0% - 4.9%

h) 2/ delay maintenance and repairs: # of projects__________
total $ amount__________

i)_____close field locations
(specify where):__________

j)_____reduce service to the public (specify component and program and give amount and percent of reduction in each):
I)_____inspections: amt. & % reduced --
II)_____audits: amt. & % reduced --
III)_____technical assistance: amt. & % reduced --
IV)_____other (specify)__________: amt. & % reduced --

k)_____reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
I) 3/ grants: amt. & % reduced $34,242,000 - 7.8%
II)_____loans: amt. & % reduced --
III)_____other (specify)__________: amt. & % reduced --

l)_____raise user fees (specify component, program, and amount of increase in each): --

m)_____other (provide details): --

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Federal Emergency Management Agency

Estimated amount of reduction $91,164,000

a)_____delay procurements:
I)_____noncapital acquisitions: # delayed unknown
total $ amount $19,729,000
II)_____capital acquisitions: # delayed unknown
total $ amount $1,786,000
b)_____restrict travel: total $ amount_____
% of total travel budget_____
c)_____restrict training: total $ amount_____
% of total training budget_____
d)_____freeze hiring: duration in months 12
if not affecting whole agency, specify the components affected --
resultant reduction in workforce because of attrition:
# & % of permanent employees reduced 120 - 5.9%
# & % of temporary employees reduced --
# & % of other employees reduced --
e)_____furlough: # of days 27-31
# of people affected 1,050
% of workforce involved 100%
f)_____rif: # of people affected 0-100
% of workforce involved 0% - 4.9%
g)_____retire early: # of people affected 0-100
% of workforce involved 0% - 4.9%
h) 2/ delay maintenance and repairs: # of projects_____
total $ amount_____
i)_____close field locations (specify where): --
j)_____reduce service to the public (specify component and program and give amount and percent of reduction in each):
I)_____inspections: amt. & % reduced --
II)_____audits: amt. & % reduced --
III)_____technical assistance: amt. & % reduced --
IV)_____other (specify)_____: amt. & % reduced --
k)_____reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
I) 3/ grants: amt. & % reduced $55,349,000 - 12.6%
II)_____loans: amt. & % reduced --
III)_____other (specify)_____: amt. & % reduced --
l)_____raise user fees (specify component, program, and amount of increase in each): --
m)_____other (provide details): --

1/ Estimate only. It is difficult to determine attrition attributable to G-R-H reductions as opposed to general reductions imposed in the 1986 appropriation. FEMA was in a hiring freeze from January, 1985 until June, 1986. The freeze was maintained after a March 31 reduction in force associated with the general reductions in order to offset the G-R-H reductions. The freeze was lifted to enable hiring for critical vacancies for programs decimated by attrition.

2/ These data are included as part of the noncapital acquisitions in section 3a.

3/ The number of grants has remained constant. However, the amounts issued per grant have been reduced.

4/ e.g., temporary housing to disaster victims.

FEDERAL EMERGENCY MANAGEMENT AGENCY
Appropriation History under the Balanced Budget and Emergency Deficit Control Act of 1985

Title	Account Number	Enacted Appropriation	G-R-H Reduction	% reduced	Supplemental Appropriation
Salaries & Expenses	58-6-0100	$123,410,000	$5,306,000	4.3	$2,920,000 *
Emergency Management Planning & Assistance	58-6-0101	294,157,000	12,649,000	4.3	(2,920,000)*
National Insurance Development Fund	58-X-4235	10,000,000	430,000	4.3	...
Disaster Relief Fund	58-X-0104	100,000,000	4,300,000	4.3	250,000,000

* Represents an appropriation transfer from Emergency Management Planning & Assistance to Salaries & Expenses.

Federal Home Loan Bank Board

1700 G Street, N.W.
Washington, D.C. 20552

Federal Home Loan Bank System
Federal Home Loan Mortgage Corporation
Federal Savings and Loan Insurance Corporation

July 11, 1986

RECEIVED
JUL 1 1 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

The Honorable Jack Brooks
Chairman
Committee on Government Operations
U.S. House of Representatives
2157 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

Enclosed is the Federal Home Loan Bank Board's response to your June 26, 1986 request for information of the Gramm-Rudman-Hollings Act on this agency which includes the Federal Savings and Loan Insurance Corporation (FSLIC) Fund.

The FY 1986 reduction had minimal impact upon the FSLIC because of the Office of Management and Budget's initial interpretation of the Corporation's administrative expenses subject to sequestration. Accordingly, the enclosed questionnaire was completed with the assumption that the FY 1986 definition of FSLIC's sequestrable base would apply in any future year's sequestration. Should, however, the sequestrable base of the FSLIC Fund be defined in the future to include areas previously considered "nonadministrative expenses," there could be a very serious impact on the FSLIC's default prevention and liquidation activities.

I can be reached at 377-6173 if any additional information is needed.

Sincerely,

Dennis M. Pittman
Budget Officer

Enclosures

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Federal Home Loan Bank Board - Revolving Fund

a) XX delay procurements:
    I) X noncapital acquisitions: # delayed 2
        total $ amount $280,000
    II) ____ capital acquisitions: # delayed ____
        total $ amount ____
b) X restrict travel: total $ amount $140,000
    % of total travel budget 13%
c) X restrict training: total $ amount $14,000
    % of total training budget 3%
d) ____ freeze hiring: duration in months ____
    if not affecting whole agency, specify the components affected ____
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced ____
        # & % of temporary employees reduced ____
        # & % of other employees reduced ____
e) ____ furlough: # of days ____
    # of people affected ____
    % of workforce involved ____
f) ____ rif: # of people affected ____
    % of workforce involved ____
g) ____ retire early: # of people affected ____
    % of workforce involved ____
h) ____ delay maintenance and repairs: # of projects ____
    total $ amount ____
i) ____ close field locations (specify where): ____
j) ____ reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I) ____ inspections: amt. & % reduced ____
    II) ____ audits: amt. & % reduced ____
    III) ____ technical assistance: amt. & % reduced ____
    IV) ____ other (specify) ____: amt. & % reduced ____
k) X reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I) X grants: amt. & % reduced 100%; $200,000 see Enclosure 1
    II) ____ loans: amt. & % reduced ____
    III) ____ other (specify) ____: amt. & % reduced ____
l) ____ raise user fees (specify component, program, and amount of increase in each): ____
m) ____ other (provide details): ____

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Federal Home Loan Bank Board - Revolving Fund

Estimated amount of reduction $2,350,000

a)_____delay procurements:
I)_____noncapital acquisitions: # delayed__________ total $ amount__________
II)_____capital acquisitions: # delayed__________ total $ amount__________
b) X restrict travel: total $ amount $300,000 % of total travel budget 25%
c) X restrict training: total $ amount $250,000 % of total training budget 50%
d) X freeze hiring: duration in months 4
if not affecting whole agency, specify the components affected__________
resultant reduction in workforce because of attrition:
permanent employees (# & %) reduced 14 (3%)
temporary employees (# & %) reduced 6 (3%)
other employees (# & %) reduced__________
e)_____furlough: # of days__________ # of people affected__________ % of workforce involved__________
f)_____rif: # of people affected__________ % of workforce involved__________
g)_____retire early: # of people affected__________ % of workforce involved__________
h)_____delay maintenance and repairs: # of projects__________ total $ amount__________
i)_____close field locations (specify where):__________
j)_____reduce service to the public (specify component and program and give amount and percent of reduction in each):
I)_____inspections: amt. & % reduced__________
II)_____audits: amt. & % reduced__________
III)_____technical assistance: amt. & % reduced__________
IV)_____other (specify)__________: amt. & % reduced__________
k) X reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
I) X grants: amt. & % reduced 100%; $200,000 see Enclosure 1
II)_____loans: amt. & % reduced__________
III)_____other (specify)__________: amt. & % reduced__________
l)_____raise user fees (specify component, program, and amount of increase in each):__________
m)_____other (provide details):__________

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Federal Home Loan Bank Board - Revolving Fund

Estimated amount of reduction #3,800,000

a)_____delay procurements:
I)_____noncapital acquisitions: # delayed__________ total $ amount_______
II)_____capital acquisitions: # delayed__________ total $ amount__________
b)_____restrict travel: total $ amount $630,000 % of total travel budget 50%
c) X restrict training: total $ amount $375,000 % of total training budget 99%
d) X freeze hiring: duration in months 9
if not affecting whole agency, specify the components affected____________________
resultant reduction in workforce because of attrition:
# & % of permanent employees reduced 36 (75%)
# & % of temporary employees reduced 9 (75%)
& % of other employees reduced__________
e)_____furlough: # of days__________
# of people affected__________
% of workforce involved__________
f)_____rif: # of people affected__________
% of workforce involved__________
g)_____retire early: # of people affected__________
% of workforce involved__________
h)_____delay maintenance and repairs: # of projects__________
total $ amount__________
i)_____close field locations (specify where):______________________________
j)_____reduce service to the public (specify component and program and give amount and percent of reduction in each):
I)_____inspections: amt. & % reduced__________
II)_____audits: amt. & % reduced__________
III)_____technical assistance: amt. & % reduced________
IV)_____other (specify)__________: amt. & % reduced_____
k) X reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
I) X grants: amt. & % reduced 100%; $200,000 see Enclosure 1
II)_____loans: amt. & % reduced__________
III)_____other (specify)__________: amt. & % reduced_____
l)_____raise user fees (specify component, program, and amount of increase in each):______________________________
m)_____other (provide details):______________________________

Enclosure 1

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. The Federal Home Loan Bank Board has two budget accounts. The amount sequestered from each during Fy 86 is as follows:

Account	Account #	$Cut	% Cut
Federal Home Loan Bank Board Revolving Fund	82-4035-0-3-371	$1,156,000	4.3%
Federal Savings & Loan Insurance Corporation	82-4037-0-3-371	62,000	4.3%
	Total	$1,218,000	4.3%

2. The Federal Home Loan Bank Board Revolving Fund was subsequently provided a $3,429,000 increase with the enactment of the Urgent Supplemental Appropriations Bill, 1986; H.R. 4515.

3. The FSLIC is a sub-agency component. No reductions are contemplated in the sub-questions "j" through "l" categories for the FSLIC Fund. Accordingly, per instructions, separate questionnaire sheets for this sub-agency account are not provided. However, potential Fy 87 reductions in FSLIC's administrative staffing, travel, and training are included in the overall agency totals reported in Enclosure 2.

4. The $200,000 reduction in grants in Question 3k of Enclosure 2 relates to economic analyses and studies, most of which are awarded by the agency as grants to universities and similar academic institutions. These studies often produce important background information to support the Bank Board's or other government initiatives by evaluating the economic impact of such actions upon the thrift savings industry. Examples of such studies in the past include analyses of the financial impact of tax law changes and risk-based deposit insurance premiums upon Federally-insured thrift savings institutions.

UNITED STATES OF AMERICA
FEDERAL LABOR RELATIONS AUTHORITY
WASHINGTON, D.C. 20424

OFFICE OF THE CHAIRMAN

July 11, 1986

The Honorable Jack Brooks
Chairman
Committee on Government Operations
U.S. House of Representatives
2157 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Chairman:

Thank you for the opportunity to respond to the Committee on Government Operations' questionnaire regarding the present and future impact of Gramm-Rudman-Hollings budget reductions on the Federal Labor Relations Authority. The information being provided for FY 1986 reductions represents actual steps taken by the Agency. The FY 1987 data is, of course, only a projection of actions which would have to be taken to meet these significant reductions should the President's budget request before Congress not be passed as proposed.

If additional information or clarification is necessary please contact Mark A. Aglio, Comptroller, at (202) 382-0724 for assistance.

Sincerely,

for Jacqueline R. Bradley
Jerry L. Calhoun

Enclosure

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration. Salaries and expenses - 54-0100-0-1-805
Sequestration of $734,000 or 4.3%

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.
Not applicable

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Federal Labor Relations Authority

a)_____delay procurements:
    I)_____noncapital acquisitions: # delayed__________
        total $ amount_______
    II)_____capital acquisitions: # delayed__________
        total $ amount__________
b) x restrict travel: total $ amount $165,000
    % of total travel budget 23.3%
c) x restrict training: total $ amount $36,000
    % of total training budget 60%
d) x freeze hiring: duration in months 12
    if not affecting whole agency, specify the
        components affected Authority
    resultant reduction in workforce
        because of attrition:
            # & % of permanent employees
                reduced 20 (6.9%)
            # & % of temporary employees
                reduced 4 (80%)
            # & % of other employees
                reduced 2 (66.5%)
e)_____furlough: # of days__________
    # of people affected__________
    % of workforce involved__________
f)_____rif: # of people affected__________
    % of workforce involved__________
g)_____retire early: # of people affected__________
    % of workforce involved__________
h)_____delay maintenance and repairs: # of projects__________
    total $ amount__________
i)_____close field locations
    (specify where):__________
j) x reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I)_____inspections: amt. & % reduced__________
    II)_____audits: amt. & % reduced__________
    III)_____technical assistance: amt. & % reduced_______
    IV) x other (specify) Attached : amt. & % reduced_____
k)_____reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I)_____grants: amt. & % reduced__________
    II)_____loans: amt. & % reduced__________
    III)_____other (specify)________: amt. & % reduced_____
l)_____raise user fees (specify component, program, and amount of increase in each):__________
m)_____other (provide details):__________

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency_ Federal Labor Relations Authority____

Estimated amount of reduction_ $1,926,000________

a)_____delay procurements:
    I)_____noncapital acquisitions: # delayed________
        total $ amount________
    II)_____capital acquisitions: # delayed________
        total $ amount________
b)_ x __restrict travel: total $ amount_$300,000___
    % of total travel budget__ 42%_____
c)_ x __restrict training: total $ amount_$40,000___
    % of total training budget_ 67%_____
d)_ x __freeze hiring: duration in months__ 12_____
    if not affecting whole agency, specify the
    components affected____________
    resultant reduction in workforce
    because of attrition:
        # & % of permanent employees
        reduced__ 50 (17.4%)
        # & % of temporary employees
        reduced__ 4 (80%)_
        # & % of other employees
        reduced__ 2 (66.5%)
e)_____furlough: # of days________
    # of people affected________
    % of workforce involved________
f)_____rif: # of people affected________
    % of workforce involved________
g)_____retire early: # of people affected________
    % of workforce involved________
h)_____delay maintenance and repairs: # of projects________
    total $ amount________
i)_ x __close field locations
    (specify where):_ Philadelphia, PA and Cleveland, OH____
j)_ x __reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I)_____inspections: amt. & % reduced________
    II)_____audits: amt. & % reduced________
    III)_____technical assistance: amt. & % reduced________
    IV)_ x __other (specify) See attached amt. & % reduced_____
k)_____reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I)_____grants: amt. & % reduced________
    II)_____loans: amt. & % reduced________
    III)_____other (specify)________: amt. & % reduced____
l)_____raise user fees (specify component, program, and amount of increase in each):____________
m)_ x __other (provide details):_ See attached________

5. Assuming a government wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Federal Labor Relations Authority

Estimated amount of reduction $2,661,000

a)_____delay procurements:
    I)_____noncapital acquisitions: # delayed_____
        total $ amount_____
    II)_____capital acquisitions: # delayed_____
        total $ amount_____
b)__x__restrict travel: total $ amount $325,000
    % of total travel budget 45.5%
c)__x__restrict training: total $ amount $40,000
    % of total training budget 67%
d)__x__freeze hiring: duration in months 12
    if not affecting whole agency, specify the components affected_____
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced 50 (17.4%)
        # & % of temporary employees reduced 4 (80%)
        # & % of other employees reduced 2 (66.5%)
e)__x__furlough: # of days 12
    # of people affected 250 approx.
    % of workforce involved 98% approx.
f)_____rif: # of people affected_____
    % of workforce involved_____
g)_____retire early: # of people affected_____
    % of workforce involved_____
h)_____delay maintenance and repairs: # of projects_____
    total $ amount_____
i)__x__close field locations
    (specify where): Boston, MA; Dallas, TX; Philadelphia, PA; & Cleveland, OH
j)__x__reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I)_____inspections: amt. & % reduced_____
    II)_____audits: amt. & % reduced_____
    III)_____technical assistance: amt. & % reduced_____
    IV)__x__other (specify) See attached amt. & % reduced_____
k)_____reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I)_____grants: amt. & % reduced_____
    II)_____loans: amt. & % reduced_____
    III)_____other (specify)_____: amt. & % reduced_____
l)_____raise user fees (specify component, program, and amount of increase in each):_____
m)__x__other (provide details): See attached

Attachment to Gramm-Rudman Questionnaire
Federal Labor Relations Authority

Item 3j.

The Federal Service Impasses Panel has indicated that it held approximately 15 (25%) fewer mediation conferences and arbitration hearings. Delays of 1 to 2 weeks in Panel Decisions and Orders were also indicated.

Item 4j.

The Office of the General Counsel will conduct 667 or 17% fewer investigations.

The Federal Service Impasses Panel will hold approximately 30 (50%) fewer mediation conferences and arbitration hearings and resolve 14 (8%) fewer disputes. Quality of dispute resolution would further decline due to increased reliance on written submissions. Increase in declination of jurisdiction in closed cases causing increased filings with FLRA (ULP and negotiability).

Item 4m.

The Office of the General Counsel will experience an increase in delays in investigations of 120 days. This will increase backlog by 100%.

Item 5j.

At the reduced level the Authority's case intake will exceed decision issuance levels, thus creating a backlog situation.

The Office of the General Counsel will conduct 2,040 or 40% fewer investigations.

The Panel will hold approximately 30 (50%) fewer mediation conferences and arbitration hearings, hold only 3 meetings of the Panel, and resolve 27 (15%) fewer disputes. Quality of dispute resolution would decline even further due to reliance on written submissions. Further increase in declination of jurisdiction in close cases causing increased filings with FLRA (ULP and negotiability).

Item 5m.

Investigations will be delayed by an additional 270 days with a resulting increase in backlog of 400%.

Federal Maritime Commission
Washington, D.C. 20573

Office of the Chairman

RECEIVED

JUL 18 1986

HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

The Honorable Jack Brooks
Chairman
Committee on Government Operations
U.S. House of Representatives
Rayburn House Office Building
Washington, DC 20515

Dear Mr. Chairman:

In response to your letter of June 26, 1986, I am pleased to forward to you a copy of a completed "Questionnaire on Gramm-Rudman-Hollings Impact" for the Federal Maritime Commission.

If you have any questions concerning the information on the questionnaire, please contact Mr. Fred Trutkoff, Director, Office of Budget and Financial Management on 523-5770.

Sincerely,

Edward V. Hickey, Jr.

Edward V. Hickey, Jr
Chairman

Enclosure

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration. Salaries and Expenses 65-0100-0-1-403; $510,000 4.3% reduction

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.
Not Applicable

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Federal Maritime Commission

a) X delay procurements:
    I) X noncapital acquisitions: # delayed 1
        total $ amount $100,000
    II) ____ capital acquisitions: # delayed ____
        total $ amount ____
b) X restrict travel: total $ amount $10,000
    % of total travel budget ____
c) X restrict training: total $ amount $10,000
    % of total training budget ____
d) X freeze hiring: duration in months 3
    if not affecting whole agency, specify the components affected ____
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced 4 2%
        # & % of temporary employees reduced ____
        # & % of other employees reduced ____
e) ____ furlough: # of days ____
    # of people affected ____
    % of workforce involved ____
f) ____ rif: # of people affected ____
    % of workforce involved ____
g) ____ retire early: # of people affected ____
    % of workforce involved ____
h) ____ delay maintenance and repairs: # of projects ____
    total $ amount ____
i) ____ close field locations (specify where): ____
j) ____ reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I) ____ inspections: amt. & % reduced ____
    II) ____ audits: amt. & % reduced ____
    III) ____ technical assistance: amt. & % reduced ____
    IV) ____ other (specify) ____: amt. & % reduced ____
k) ____ reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I) ____ grants: amt. & % reduced ____
    II) ____ loans: amt. & % reduced ____
    III) ____ other (specify) ____: amt. & % reduced ____
l) ____ raise user fees (specify component, program, and amount of increase in each): ____
m) ____ other (provide details): ____

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Federal Maritime Commission

Estimated amount of reduction $830,000

a) X delay procurements:
  I) X noncapital acquisitions: # delayed 8
    total $ amount $136,000
  II) ____ capital acquisitions: # delayed ____
    total $ amount ____
b) X restrict travel: total $ amount $10,000
  % of total travel budget ____
c) X restrict training: total $ amount $20,000
  % of total training budget ____
d) X freeze hiring: duration in months 3
  if not affecting whole agency, specify the components affected ____
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 4 2%
    # & % of temporary employees reduced ____
    # & % of other employees reduced ____
e) X furlough: # of days 16
  # of people affected 209
  % of workforce involved 97.7%
f) ____ rif: # of people affected ____
  % of workforce involved ____
g) ____ retire early: # of people affected ____
  % of workforce involved ____
h) X delay maintenance and repairs: # of projects 2
  total $ amount $20,000
i) ____ close field locations
  (specify where): ____
j) X reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) X inspections: amt. & % reduced 6%
  II) X audits: amt. & % reduced 4%
  III) X technical assistance: amt. & % reduced 6%
  IV) X other (specify) Public : amt. & % reduced 3%
k) ____ reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) ____ grants: amt. & % reduced ____
  II) ____ loans: amt. & % reduced ____
  III) ____ other (specify) ____ : amt. & % reduced ____
l) ____ raise user fees (specify component, program, and amount of increase in each): ____
m) X other (provide details): see attached

4(m)

The Commission would be unable to collect and analyze information regarding the impact of the Shipping Act of 1984 on the international shipping industry. This could delay or reduce the value of our report to the Advisory Commission on Conferences in Ocean Shipping due in 1990; a systems design and development phase for the automated tariff filing and information system would be curtailed; the Commission will curtail efforts to develop an effective surveillance and enforcement program; the shipping industry regulated by the Commission would suffer due to the lack of a quick means of adjudicating disputes; backlogs of tariffs and agreements would be exacerbated; and, resurgence of malpractices could occur resulting in higher costs to some shippers. In addition, the Commission's regulatory responsibilities would be curtailed.

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Federal Maritime Commission

Estimated amount of reduction $1,340,000

a) X delay procurements:
  I) X noncapital acquisitions: # delayed ______
    total $ amount $382,000
  II) X capital acquisitions: # delayed 10
    total $ amount $35,000
b) X restrict travel: total $ amount $20,000
  % of total travel budget ______
c) X restrict training: total $ amount $30,000
  % of total training budget ______
d) X freeze hiring: duration in months 6
  if not affecting whole agency, specify the components affected ______
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 8 4%
    # & % of temporary employees reduced ______
    # & % of other employees reduced ______
e) X furlough: # of days 23
  # of people affected 209
  % of workforce involved 97.7%
f) ______ rif: # of people affected ______
  % of workforce involved ______
g) ______ retire early: # of people affected ______
  % of workforce involved ______
h) X delay maintenance and repairs: # of projects 2
  total $ amount $40,000
i) ______ close field locations
  (specify where): ______
j) X reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) X inspections: amt. & % reduced 11%
  II) X audits: amt. & % reduced 8%
  III) X technical assistance: amt. & % reduced 11%
  IV) X other (specify) Public : amt. & % reduced 5%
k) ______ reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) ______ grants: amt. & % reduced ______
  II) ______ loans: amt. & % reduced ______
  III) ______ other (specify) ______ : amt. & % reduced ______
l) ______ raise user fees (specify component, program, and amount of increase in each): ______
m) X other (provide details): see attached

FEDERAL MEDIATION AND CONCILIATION SERVICE
UNITED STATES GOVERNMENT
WASHINGTON, D.C. 20427

OFFICE OF THE DIRECTOR

July 11, 1986

JUL 11 1986

The Honorable Jack Brooks
Chairman, Committee on Government Operations
House of Representatives
2157 Rayburn House Office Building
Washington, D. C. 20515

RECEIVED
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HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

Dear Mr. Chairman:

Enclosed is the response of the Federal Mediation and Conciliation Service (FMCS) to your Committee's questionnaire on the impact of Gramm-Rudman-Hollings.

The executive staff of FMCS has had extensive discussions about the effects of a second sequestration of funds. We have enclosed a Bulletin that describes what would occur. (See Attachment A)

If you have questions, please contact:

Mary P. Durkin, Budget Officer
Federal Mediation and Conciliation Service
2100 K Street, N. W.
Washington, D. C. 20427
(202) 653-5209

Sincerely,

Kay McMurray

Kay McMurray
Director

Enclosures

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

See Attachment B. The percentage cut was 4.3% for each.

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

While no additional funding has been provided to date, there may be a need to request reprogramming of Labor-Management Cooperation Project funds into the "all other" category before the end of FY 1986.

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTEs. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Federal Mediation and Conciliation Service

a) X delay procurements:

I) X noncapital acquisitions: # delayed Reduced acquisition of pamphlets, supplies, and subscriptions. This was accomplished by utilizing older pamphlets that do not reflect current agency organization and regional addresses; by completely depleting certain supply items; and by cutting subscriptions to certain newspapers and trade magazines. (These publications are used by FMCS personnel to monitor current developments in labor-management relations.)

total $ amount $17,000 or 14%

II) X capital acquisitions: # delayed Reduced furniture and equipment acquisition. All funds allocated for furniture and equipment in FY 86 were for minimal replacement of existing items.

total $ amount $50,000 or 57%

b) X restrict travel: total $ amount $235,000. While this was the target reduction for travel, there has been extreme difficulty meeting the target. It is now estimated that 10-11% will be reduced in 1986.

% of total travel budget 22%

c) X restrict training: total $ amount $7,000

% of total training budget 33%

d) X freeze hiring: duration in months 8 1/2 months

if not affecting whole agency, specify the components affected --

resultant reduction in workforce because of attrition:

and % of permanent employees reduced approximately 16 positions or 4%

and % of temporary employees reduced 2 positions and almost 100%

and % of other employees reduced N/A

e) _____ furlough: # of days _____
# of people affected _____
% of workforce involved _____

f) _____ rif: # of people affected _____
% of workforce involved _____

g) _____ retire early: # of people affected _____
% of workforce involved _____

h) __X__ delay maintenance and repairs: # of projects Reduced office repairs and moving expenses. This reduction delayed or cancelled non-critical office repairs and non-critical office moves.
total $ amount $9,000 or 36%

i) __X__ close field locations (specify where): While no stations were closed, mediators are now working out of their homes in Salt Lake City and Great Falls.

j) __X__ reduce service to the public (specify component and program and give amount and percent of reduction in each):
  - I) __X__ inspections: amount and % reduced $2,000 or 29% (grant recipient on-site inspections cancelled)
  - II) _____ audits: amount and % reduced _____
  - III) _____ technical assistance: amount and % reduced _____
  - IV) __X__ other (specify) -- Preventive mediation assistance to the labor-management community was reduced. Preventive mediation cases were reduced from 1,000 to 850 or 15%.

    -- Turnaround time for submission of arbitration panels to labor-management parties was increased, thus causing delays in the arbitration process.

k) __X__ reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  - I) __X__ grants: amount and % reduced $43,000 or 4.3%
  - II) _____ loans: amount and % reduced _____
  - III) _____ other (specify) _____: amount and % reduced _____

l) _____ raise user fees (specify component, program, and amount of increase in each):

m) __X__ other (provide details): Reduced funds for Boards and Panels; turned back office space in National Office (space reduced by 15%); turned back one official car; eliminated all but emergency overtime; eliminated monetary awards for all but PMR employees (thus 94% of employees are ineligible for awards); reduced reproduction equipment by $6,000 (or 9%); and reduced automated data processing funds (or 20%).

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Federal Mediation and Conciliation Service

Estimated amount of reduction $1,634,000.

a) X delay procurements: Because of drastically reduced level in '86, there is little or nothing left to cut.
I) X noncapital acquisitions: # delayed Subscription services will be reduced below final FY 86 levels. This will further reduce newspapers and trade publications.
total $ amount $2,000 or 20% of remaining subscription funds

II) _____ capital acquisitions: # delayed No further reduction below FY 86 levels can be accomplished. Money now budgeted to this category is only for replacement of existing furniture and equipment.
total $ amount _____

b) X restrict travel: Because of drastically reduced level in '86, there is little or nothing left to cut without reducing program activities even further.
total $ amount $10,000
% of total travel budget 1%

c) X restrict training: total $ amount $4,000 below 1986 revised level
% of total training budget 29%, leaving only $10,000 for the year

d) X freeze hiring: duration in months 12 months
if not affecting whole agency, specify the components affected --
resultant reduction in workforce because of attrition:
# and % of permanent employees reduced 16 employees or 4%
# and % of temporary employees reduced no more to reduce
# and % of other employees reduced N/A

e) X furlough: # of days 7-10 days
# of people affected 310-320
% of workforce involved 100%

f) X rif: # of people affected 28
% of workforce involved 9%

g) X retire early: # of people affected 5-10
% of workforce involved 2%

h) _____ delay maintenance and repairs: # of projects _____
total $ amount _____

i) X close field locations (specify where): With a reduction of 33 mediators, FMCS field mediator workforce would be 15% below the staffing level justified by anticipated workload. This would undoubtedly force us to a decision on closing a number of field stations -- probably six or seven. The closing of these stations would be complicated by a lack of funds to transfer personnel, resulting in a necessity to retain employees at their present locations who would be more urgently needed at other locations.

j) __X__ reduce service to the public (specifiy component and program and give **amount** and percent of reduction in each):
  i) _____ inspections: amount and % reduced _______
  ii) _____ audits: amount and % reduced _______
  iii) _____ technical assistance: amount and % reduced _______
  iv) __X__ other (specify): With 33 fewer mediators (15% reduction) and reduced travel funds, there will be a drop in dispute mediation assistance. It is estimated that the decrease would be approximately 15%.

Preventive mediation assistance would be virtually eliminated. The consequences of this change are potentially very serious. Cessation of all or a major part of this work may result in costly future strikes.

k) __X__ reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  i) __X__ grants: amount and % reduced $70,000 or 7.3%
  ii) _____ loans: amount and % reduced _______
  iii) _____ other (specify) _______: amount and % reduced _______

l) _____ raise user fees (specify component, program, and amount of increase in each):

m) __X__ other (provide details): would have to reduce Boards and Panels funds, and turn back more office space in the National Office (10% more than the reduced 1986 level).

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which would reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplements, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTEs. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Federal Mediation and Conciliation Service

Estimated amount of reduction $2,642,000.

a) X delay procurements: Because of reduced level in '86, there would be little left to cut.
I) X noncapital acquisitions: # delayed Subscription services will be reduced below final FY 86 levels. This will further reduce newspapers and trade publications.
total $ amount $2,000 or 20% of remaining subscription funds

II) ____ capital acquisitions: # delayed No further reduction of FY 86 levels can be accomplished; and money now budgeted to this category is only for replacement of existing furniture and equipment.
total $ amount ____

b) X restrict travel:
total $ amount $[illegible],000 or more
% of total travel budget 30% or more

c) X restrict training: total $ amount $4,000 below 1986 revised level
% of total training budget 29%, leaving only $10,000 for the year

d) X freeze hiring: duration in months 12 months
if not affecting whole agency, specify the components affected ____
resultant reduction in workforce because of attrition:
# and % permanent employees reduced 16 employees or 4%
# and % of temporary employees reduced no more to reduce
# and % of other employees reduced N/A

e) X furlough: # of days 20 days
# of people affected 310-320
% of workforce involved 100%

f) X rif: # of people affected 28
% of workforce involved 9%

g) X retire early: # of people affected 5-10
% of workforce involved 2%

h) ____ delay maintenance and repairs: # of projects ____
total $ amount ____

i) X close field locations (specify where): With a reduction of 33 mediators, FMCS field mediator workforce would be 15% below the staffing level justified by anticipated workload. This would undoubtedly force us to a decision on closing a numuer of field stations -- probably six or seven. The closing of these stations would be complicated by a lack of funds to transfer personnel resulting in a necessity to retain employees at their present locations who would be more urgently needed at other locations.

j) X reduce service to the public (specify component and program and give amount and percent of reduction in each):
  - I) _____ inspections: amount and % reduce
  - II) _____ audits: amount and % reduced
  - III) _____ technical assistance: amount and % reduced
  - IV) X other (specify): With a reduction of 33 mediators (15% reduction), a drastic reduction in travel funds (30%) and extensive furloughing of all mediators, there will be a reduction in dispute mediation workload of 25% to 30%.

    Preventive mediation would be eliminated. The consequences of this change are potentially very serious. Cessation of all or a major part of this work may result in costly future strikes.

k) X reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  - I) X grants: amount and % reduced $113,000 or 11.8%
  - II) _____ loans: amount and % reduced: _____
  - III) _____ other (specify): _____ amount and % reduced _____

l) _____ raise user fees (specify component, program, and amount of increase in each): _____

m) X other (provide details): Would have to reduce Boards and Panels funds and turn back more office space in the National Office (15% more than the reduced 1986 level).

BULLETIN

FEDERAL MEDIATION AND CONCILIATION SERVICE

SUBJECT: Budget Outlook for FY 87

No.: 86-BUL-55S

Date: June 19, 1986

TO: All Employees

FROM: Kay McMurray
Director

We have just completed two days of intensive discussions and planning for the FY 87 budget. Our planning has been based on the expectation that the Gramm-Rudman-Hollings Act will trigger more budget cuts. I think it is important that each of you understands the severity of the program and personnel reductions that we may be facing.

First, it needs to be clear that we are planning to meet an anticipated 9% cut from our current level of funding. If Gramm-Rudman-Hollings cuts are less than 9% the reductions can be adjusted to accommodate a better financial situation.

The following impacts were discussed and determined to be our likely course of action when, and if, Gramm-Rudman-Hollings does kick in at the 9% level.

° Slash "discretionary" spending (funding in these areas currently comprises only 24% of our budget.)

  - Give up more space in the National Office.
  - Eliminate the National Seminar.
  - Cut National Office travel by at least 25%.
  - Cut way back on spending for supplies, AV equipment, furniture purchases, and ADP services.
  - Severely restrict internal and external training.

- Reduce salary and benefit costs (this area currently comprises 74% of our budget).
  - Request early out retirement authority for all eligible and interested employees.
  - Accept requests from all eligible employees who are willing to retire.
  - Conduct a RIF in both NO and the field including clerical, administrative, professional and mediator positions. Approximately 25-30 positions would be eliminated.
  - Furlough all remaining employees for several non-consecutive days.
  - Accept request for voluntary LWOP.

RIFing beyond 25-30 positions does not save any money in FY 87 and only further reduces the ability of this agency to accomplish its mission next year, or in future years. Retirements, and early retirements, of eligible employees do save money if they occur early in the fiscal year. Retirements can also reduce the number of positions that must be RIFed if there are sufficient numbers of retirements.

It is my fervent hope that we will not be brought to the extreme measures I have outlined above. We will have a clearer picture of the FY 87 Gramm-Rudman-Hollings targets on or about August 20, and we will advise you on specific actions after that date. I present this information not to scare anyone, nor to start rumors, but rather, to honestly advise you of what may be a very serious situation.

AVAILABLE

Attachment B

PROGRAM, PROJECT, ACTIVITY DETAIL
($000)

Agency: Federal Mediation and Conciliation Service

Account Title: Salaries and Expenses

Account ID code: 30-76-0100-X-1-505-A; 93-0100

Source: House Report 99-289

Program, project, activity	Obligation Limitation Base	Obligation Limitation Sequester
1. Labor-Management Cooperation Project	1,160	50
2. All other	22,234	956
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
TOTAL	23,394	1,006

FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

OFFICE OF
THE CHAIRMAN

RECEIVED
[illegible] 18 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

July 11, 1986

The Honorable Jack Brooks
Chairman
Committee on Government Operations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Enclosed are the Federal Trade Commission responses to your questionnaire regarding the impact of the Gramm-Rudman-Hollings legislation. Specifically, our responses represent a best estimate of the type and level of actions required to implement budget reductions of 7.3 percent and 11.8 percent respectively in FY 1987. While we would follow the same general approach used to accommodate the FY 1986 reductions, the magnitude of these assumed reductions for FY 1987 would require much more severe actions, i.e., furloughs, reductions-in-force, office closings, or some combination of these.

While the actual strategy the Commission would approve for the implementation of budget cuts would depend entirely on the size and timing of those cuts, these exhibits are indicative of the actions we would have to take under the assumed scenarios.

Sincerely,

Daniel Oliver
Chairman

Enclosures

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.
(SEE ATTACHMENT A)

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.
(SEE ATTACHMENT A)

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency FEDERAL TRADE COMMISSION

a) Yes delay procurements:
  I) Yes noncapital acquisitions: # delayed N/A
  (Contracts) total $ amount $179,000
  II) Yes capital acquisitions: # delayed N/A
  total $ amount $142,000 1/

b) Yes restrict travel: total $ amount $75,000
  % of total travel budget 8%

c) Yes restrict training: total $ amount $34,000
  % of total training budget 30%

d) Yes freeze hiring: duration in months 12 (Entire Agency)
  if not affecting whole agency, specify the components affected ____
  resultant reduction in workforce because of attrition:
  # & % of permanent employees reduced 123; 11.1%
  # & % of temporary employees reduced 15; 16.0%
  # & % of other employees reduced N/A

e) Yes furlough: # of days 3/5 days
  # of people affected 1,250 (100% of Agency)
  % of workforce involved ____

f) No rif: # of people affected ____
  (See comment) % of workforce involved ____

g) / retire early: # of people affected (Agency requested authority from
  % of workforce involved OPM but request was denied.)

h) No delay maintenance and repairs: # of projects ____
  total $ amount ____

i) No close field locations
  (specify where): ____

j) No reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) ____ inspections: amt. & % reduced ____
  II) ____ audits: amt. & % reduced ____
  III) ____ technical assistance: amt. & % reduced ____
  IV) ____ other (specify) ____: amt. & % reduced ____

k) No reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) ____ grants: amt. & % reduced ____
  II) ____ loans: amt. & % reduced ____
  III) ____ other (specify) ____: amt. & % reduced ____

l) No raise user fees (specify component, program, and amount of increase in each): ____

m) Yes other (provide details): Awards, $113,000; and other miscellaneous accounts, $70,000.

1/ In addition a decision to reprogram funds of $325,000 to purchase ADP equipment was delayed.

Attachment A

Response to Question 1, Page 1

The Federal Trade Commission (FTC) receives a single appropriation each year for "Salaries and Expenses." In fiscal 1986 the FTC was appropriated $65,500,000 in account number 2901001376. This appropriation was reduced by 4.3 percent or $2,817,000 as a result of the February 1986 sequestration.

Response to Question 2, Page 1

No action was taken to restore any portion of the $2,817,000 sequestration.

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency FEDERAL TRADE COMMISSION

Estimated amount of reduction $4,576,000 (7.3% x 62,683,000)

a) Yes delay procurements:
    I) Yes noncapital acquisitions: # delayed N/A
        (Contracts) total $ amount $152,000
    II) Yes capital acquisitions: # delayed N/A
        total $ amount $33,000
b) Yes restrict travel: total $ amount $66,000
    % of total travel budget 7.3%
c) Yes restrict training: total $ amount 6,000
    % of total training budget 7.3%
d) Yes freeze hiring: duration in months 12
    if not affecting whole agency, specify the components affected ________
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced 105: 10%
        # & % of temporary employees reduced 3: 10%
        # & % of other employees reduced N/A
e) Yes furlough: # of days 5
    # of people affected 1,100 approx.
    % of workforce involved 100%
f) Yes rif: # of people affected 80
    % of workforce involved 7.3%
g) Yes retire early: # of people affected 20
    % of workforce involved 2%
h) No delay maintenance and repairs: # of projects ________
    total $ amount ________
i) 1/ close field locations
    (specify where): ________
j) 1/ reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I) _____ inspections: amt. & % reduced ________
    II) _____ audits: amt. & % reduced ________
    III) _____ technical assistance: amt. & % reduced ________
    IV) _____ other (specify) ________: amt. & % reduced ________
k) 1/ reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I) _____ grants: amt. & % reduced ________
    II) _____ loans: amt. & % reduced ________
    III) _____ other (specify) ________: amt. & % reduced ________
l) 1/ raise user fees (specify component, program, and amount of increase in each): ________
m) Yes other (provide details): Supplies, $25,000

1/ All of these options would be carefully considered by the Commission given the size of this hypothetical reduction.

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency FEDERAL TRADE COMMISSION

Estimated amount of reduction $7,397,000 (11.8% x 62,683,000)

a) Yes delay procurements:
  I) Yes noncapital acquisitions: # delayed N/A
  (Contracts) total $ amount $246,000
  II) Yes capital acquisitions: # delayed N/A
  total $ amount $53,000
b) Yes restrict travel: total $ amount $106,000
  % of total travel budget 11.8%
c) Yes restrict training: total $ amount $9,000
  % of total training budget 11.8%
d) Yes freeze hiring: duration in months 12
  if not affecting whole agency, specify the components affected ______
  resultant reduction in workforce because of attrition:
  # & % of permanent employees reduced 105: 10%
  # & % of temporary employees reduced 3: 10%
  # & % of other employees reduced ______
e) Yes furlough: # of days 5
  # of people affected 1,100
  % of workforce involved 100%
f) Yes rif: # of people affected 200
  % of workforce involved 18%
g) Yes retire early: # of people affected 20
  % of workforce involved 2%
h) No delay maintenance and repairs: # of projects ______
  total $ amount ______
i) 1/ close field locations
  (specify where): ______
j) 1/ reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) ______ inspections: amt. & % reduced ______
  II) ______ audits: amt. & % reduced ______
  III) ______ technical assistance: amt. & % reduced ______
  IV) ______ other (specify) ______: amt. & % reduced ______
k) 1/ reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) ______ grants: amt. & % reduced ______
  II) ______ loans: amt. & % reduced ______
  III) ______ other (specify) ______: amt. & % reduced ______
l) 1/ raise user fees (specify component, program, and amount of increase in each): ______
m) Yes other (provide details): Supplies, $40,000

1/ All of these options would be carefully considered by the Commission given the size of this hypothetical reduction.

U.S. Department of Justice

Foreign Claims Settlement Commission
of the United States

Office of the Chairman

Washington, D.C. 20579

July 10, 1986

RECEIVED

[illegible] 1 [illegible]

HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

Honorable Jack Brooks, Chairman
Committee on Government Operations
House of Representatives
2157 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Brooks:

I attach the completed questionnaire on Gramm-Rudman-Hollings Impact on behalf of the Foreign Claims Settlement Commission. I suspect the information will have little of statistical value for two reasons: The Commission is a small agency and operates on a very limited budget so that relatively small amounts of money create distorted percentage changes. For example, but one attorney's position represents 13% of our 1987 personnel costs. One employee's decision to shift medical coverage may cause a 2% percent shift in our entire personnel benefits budget.

The second factor is that due to decreasing workload, the Commission, irrespective of Gramm-Rudman-Hollings, is reducing staff, space, and its budget in fiscal year 1987. The reduction of three positions (30% of the Commission's staff) has required the inclusion of substantial RIF benefits. In anticipation of sequestration, we are advancing the termination date of one employee by seven weeks which has no budget impact for FY 1986, but will reduce severance benefits in FY 1987.

Sincerely,

Bohdan A Futey

Bondan A. Futey
Chairman

Attachments

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Foreign Claims Settlement Commission

a)____delay procurements:
    I)____noncapital acquisitions: # delayed________
        total $ amount________
    II)____capital acquisitions: # delayed________
        total $ amount________
b)__x__restrict travel: total $ amount 4,000
    % of total travel budget 26%
c)____restrict training: total $ amount________
    % of total training budget________
d)__X__freeze hiring: duration in months 3
    if not affecting whole agency, specify the
        components affected________
    resultant reduction in workforce
        because of attrition:
            # & % of permenent employees
                reduced 16% (including one fulltime shifted
            # & % of temporary employees to part-time)
                reduced________
            # & % of other employees
                reduced________
e)____furlough: # of days________
    # of people affected________
    % of workforce involved________
f)____rif: # of people affected________
    % of workforce involved________
g)____retire early: # of people affected________
    % of workforce involved________
h)____delay maintenance and repairs: # of projects________
    total $ amount________
i)____close field locations
    (specify where):________
j)____reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I)____inspections: amt. & % reduced________
    II)____audits: amt. & % reduced________
    III)____technical assistance: amt. & % reduced________
    IV)____other (specify)________: amt. & % reduced________
k)____reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I)____grants: amt. & % reduced________
    II)____loans: amt. & % reduced________
    III)____other (specify)________: amt. & % reduced________
l)____raise user fees (specify component, program, and amount of increase in each):________
m)____other (provide details):________

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Foreign Claims Settlement Commission

Estimated amount of reduction $41,500

a)_____delay procurements:
    I)_____noncapital acquisitions: # delayed__________
        total $ amount________
    II)_____capital acquisitions: # delayed__________
        total $ amount__________
b) X restrict travel: total $ amount 1,000
    % of total travel budget 20%
c) X restrict training: total $ amount 1,000
    % of total training budget 100%
d)_____freeze hiring: duration in months 12
    if not affecting whole agency, specify the components affected__________
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced__________
        # & % of temporary employees reduced__________
        # & % of other employees reduced__________
e)_____furlough: # of days__________
    # of people affected__________
    % of workforce involved__________
f)_____rif: # of people affected__________
    % of workforce involved__________
g)_____retire early: # of people affected__________
    % of workforce involved__________
h)_____delay maintenance and repairs: # of projects__________
    total $ amount__________
i)_____close field locations (specify where):__________
j)_____reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I)_____inspections: amt. & % reduced__________
    II)_____audits: amt. & % reduced__________
    III)_____technical assistance: amt. & % reduced__________
    IV)_____other (specify)__________: amt. & % reduced_____
k)_____reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I)_____grants: amt. & % reduced__________
    II)_____loans: amt. & % reduced__________
    III)_____other (specify)__________: amt. & % reduced_____
l)_____raise user fees (specify component, program, and amount of increase in each):__________
m) X other (provide details): Reduce RIF benefits by securing employment for employees affected

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Foreign Claims Settlement Commission

Estimated amount of reduction $70,000

a) x delay procurements:
    I) x noncapital acquisitions: # delayed supplies
        total $ amount 1,000
    II) ____ capital acquisitions: # delayed ____
        total $ amount ____
b) X restrict travel: total $ amount 2,000
    % of total travel budget 40%
c) X restrict training: total $ amount 1,000
    % of total training budget 100%
d) X freeze hiring: duration in months 12
    if not affecting whole agency, specify the components affected ____
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced 1/10% (or see f)
        # & % of temporary employees reduced ____
        # & % of other employees reduced ____
e) ____ furlough: # of days ____
    # of people affected ____
    % of workforce involved ____
f) x rif: # of people affected 1
    % of workforce involved 10%
g) ____ retire early: # of people affected ____
    % of workforce involved ____
h) ____ delay maintenance and repairs: # of projects ____
    total $ amount ____
i) X close field locations
    (specify where): ____
j) ____ reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I) ____ inspections: amt. & % reduced ____
    II) ____ audits: amt. & % reduced ____
    III) ____ technical assistance: amt. & % reduced ____
    IV) X other (specify) Meetings : amt. & % reduced $1,000, 13%
k) ____ reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I) ____ grants: amt. & % reduced ____
    II) ____ loans: amt. & % reduced ____
    III) ____ other (specify) ____ : amt. & % reduced ____
l) ____ raise user fees (specify component, program, and amount of increase in each): ____
m) ____ other (provide details): Reduce RIF benefits by securing employment for employees affected

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

JUL 14 1986

RECEIVED

JUL 14 1986

HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

The Honorable Jack Brooks, Chairman
Committee on Government Operations
U.S. House of Representatives

Dear Mr. Chairman:

I am enclosing the completed questionnaire on the impacts of the Gramm-Rudman-Hollings legislation as requested in your letter of June 26, 1986. If clarification of these figures is desired, further contact should be made with Ms. JoAnn L. Classen of our Budget Office on 275-4143.

Sincerely,

Charles A. Bowsher

Comptroller General
of the United States

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration. Salaries and Expenses; Account 05-0106-0-1-801
GAO - $12,941,000 - 4.3 percent

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.
None

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency GAO

a) Yes delay procurements:
  I) x noncapital acquisitions: # delayed 14
    total $ amount $1,787,000
  II) x capital acquisitions: # delayed 7
    total $ amount $1,353,000
b) Yes restrict travel: total $ amount $2,850,000
  % of total travel budget 18%
c) Yes restrict training: total $ amount $808,000
  % of total training budget 34%
d) Yes freeze hiring: duration in months 9
  if not affecting whole agency, specify the components affected ____
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 102 (2%)
    # & % of temporary employees reduced 19 (13%)
    # & % of other employees reduced 44 (3%)
e) No furlough: # of days ____
  # of people affected ____
  % of workforce involved ____
f) No rif: # of people affected ____
  % of workforce involved ____
g) No retire early: # of people affected ____
  % of workforce involved ____
h) Yes delay maintenance and repairs: # of projects Footnote 2
  total $ amount $150,000
i) No close field locations
  (specify where): ____
j) Yes reduce service to the Congress (specify component and program and give amount and percent of reduction in each): (See Footnote 3)
  I) ____ inspections: amt. & % reduced ____
  II) X audits: amt. & % reduced 45 (4%)
  III) ____ technical assistance: amt. & % reduced ____
  IV) ____ other (specify) ____: amt. & % reduced ____
k) Yes reduce benefits available to the Congress (specify component and program and give amount and percent of reduction in each):
  I) ____ grants: amt. & % reduced ____
  II) ____ loans: amt. & % reduced ____
  III) x other (specify) Footnote 3: amt. & % reduced ____
l) ____ raise user fees (specify component, program, and amount of increase in each): ____
m) Yes other (provide details): See Footnote 1

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency GAO

Estimated amount of reduction $21,022,000

a) Yes delay procurements.
  I) x noncapital acquisitions: # delayed 11
    total $ amount $6,580,000
  II) x capital acquisitions: # delayed 4
    total $ amount $960,000
b) Yes restrict travel: total $ amount $1,905,000
  % of total travel budget 14%
c) No restrict training: total $ amount ____
  % of total training budget ____
d) Yes freeze hiring: duration in months 3
  if not affecting whole agency, specify the components affected ____
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 30(1%)
    # & % of temporary employees reduced 0
    # & % of other employees reduced 0
e) No furlough: # of days ____
  # of people affected ____
  % of workforce involved ____
f) Yes rif: # of people affected 821
  % of workforce involved 15%
g) Yes retire early: # of people affected 100
  % of workforce involved 2%
h) Yes delay maintenance and repairs: # of projects 3
  total $ amount $1,150,000
i) ____ close field locations
  (specify where): ____
j) Yes reduce service to the Congress (specify component and program and give amount and percent of reduction in each): (See Footnote 3)
  I) ____ inspections: amt. & % reduced ____
  II) x audits: amt. & % reduced 121(10%)
  III) ____ technical assistance: amt. & % reduced ____
  IV) ____ other (specify) ____: amt. & % reduced ____
k) Yes reduce benefits available to the Congress (specify component and program and give amount and percent of reduction in each):
  I) ____ grants: amt. & % reduced ____
  II) ____ loans: amt. & % reduced ____
  III) x other (specify) Footnote 3: amt. & % reduced ____
l) ____ raise user fees (specify component, program, and amount of increase in each): ____
m) Yes other (provide details): See Footnote 3

4. Assuming a government-wide sequester in Fiscal Year 1987 of $10 billion which could reduce your funding by about 11.6 percent below Fiscal Year 1986 funding levels after adjusting for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper whenever you find it necessary to provide and/or explain all the information requested.

Department/agency GAO

Estimated amount of reduction $11,981,000

a) Yes delay procurements:
I) X noncapital acquisitions: # delayed 11
total $ amount $6,580,000
II) X capital acquisitions: # delayed 4
total $ amount $966,000

b) Yes restrict travel: total $ amount $2,852,000
% of total travel budget 21%

c) No restrict training: total $ amount ____
% of total training budget ____

d) Yes freeze hiring: duration in months 3
if not affecting whole agency, specify the components affected ____
resultant reduction in workforce because of attrition:
& % of permanent employees reduced 30(1%)
& % of temporary employees reduced 0
& % of other employees reduced 0

e) No furlough: # of days ____
# of people affected ____
% of workforce involved ____

f) Yes rif: # of people affected 1,109
% of workforce involved 21%

g) Yes retire early: # of people affected 100
% of workforce involved 2%

h) Yes delay maintenance and repairs: # of projects 3
total $ amount $1,115,000

i) ____ close field locations (specify where): ____

j) Yes reduce service to the Congress (specify component and program and give amount and percent of reduction in each):
I) ____ inspections: amt. & % reduced ____
II) X audits: amt. & % reduced 254 (24%)
III) ____ technical assistance: amt. & % reduced ____
IV) X other (specify) Footnote : amt. & % reduced ____

k) Yes reduce benefits available to the Congress (specify component and program and give amount and percent of reduction in each):
I) ____ grants: amt. & % reduced ____
II) ____ loans: amt. & % reduced ____
III) X other (specify) Footnote 3: amt. & % reduced ____

l) ____ raise user fees (specify component, program, and amount of increase in each): ____

m) Yes other (provide details): See Footnote 1

FOOTNOTES

1. Questions 3,4,5 (a) I and II

The numbers of delayed acquisitions have been grouped together where the requests for services and equipment are of the same type.

2. Question 3 (h)

Existing projects have been maintained while all future projects (e.g. office space modernization to handle new technology, acquisition of additional microcomputers) have been frozen. We are concerned that the necessity to freeze projects, especially in the facilities area, will impact on our ability to remove asbestos from much of our work space, thereby prolonging the health risk of our employees.

3. Questions 3,4,5, (j) (k) & (m)

GAO services directly support the Congress rather than the public. Currently in many parts of GAO. 100 percent of our workload is in response to Congressional requests. We are finding it increasingly difficult to provide the Congress with timely support as attrition in areas of high congressional interest continues without our ability to hire replacements. In addition, mandated cuts in travel funds are requiring us to stretch jobs out longer than normal.

Administrator
General Services Administration
Washington, DC 20405

July 15, 1986

RECEIVED
JUL 1 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

Dear Mr. Chairman:

This letter responds to your June 26 request for information on the effect of the Gramm-Rudman-Hollings law.

We are meeting current budget goals through a number of initiatives which will improve efficiency, streamline operations, and reduce cost. These initiatives were originally planned for 1987. They however were accelerated to enable GSA to gain full benefit from the cost savings.

If sequestration is required in FY 87, the additional decreases will be difficult to achieve.

We however are not yet able to address the specific impact of a reduction of up to 11.8 percent below 1986. Because we have already streamlined operations to such a degree, a decrease of this magnitude would require complete reevaluation of current agency programs and missions to determine if it would be prudent, or even possible to continue them.

Savings currently planned to provide initial funding for productivity improvements would have to be reduced substantially. Harold Griffin, Associate Administrator for Congressional Affairs, on 566-1250, is available to provide any further information which may be requested by your staff.

With best wishes.

Sincerely,

T C Golden

Terence C. Golden

The Honorable
Jack Brooks
Chairman
Committee on Government Operations
House of Representatives
Washington, DC 20515

Enclosure

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

ANSWER. General Services Administration (GSA) accounts and the effect of 1986 sequestration are as follows:

	---SEQUESTERED---	
	$(000's)	Percent
Federal Buildings Fund (23-05-4542-x-4-804-A; 47-4542)	$ 301*	4.3 %
Federal Buildings Fund, FBF Direct Loans (23-05-7013-x-4-804-A: 20-4542)	--	--
Operating Expenses, Federal Supply Service (23-10-0116-x-1-804-A; 47-0116)	7,313	4.3 %
General Supply Fund (23-10-4530-x-4-804-A; 47-4530)	--	--
Expenses of Transportation Audit Contracts and Contract Administration (23-10-5246-x-2-804-A; 47-5246)	--	--
Operating Expenses, Information Resources Management Service (23-15-0900-x-1-804-A; 47-0900)	1,293	4.3 %
Federal Telecommunications Fund (23-15-4533-x-4-804-A: 47-4533)	--	--
Automatic Data Processing Fund (23-15-4541-x-4-804-A; 47-4541)	--	--
Consumer Information Center Fund (23-15-4549-x-3-376-A; 47-4549)	53*	4.3 %
Operating Expenses, Federal Property Resources Service (Defense) (23-25-0533-x-1-054-A; 47-0533)	1,401	4.9 %
Operating Expenses, Federal Property Resources Service (General) (23-25-0533-x-1-804-A; 47-0533)	491	4.3 %
National Defense Stockpile Transaction Fund (23-25-4550-x-3-054-A; 47-4550)	980*	4.9 %
Expenses, Disposal of Surplus Real and Related Personal Property (23-25-5254-x-2-804-A; 47-5254)	158	4.3 %
Allowances and Office Staff for Former Presidents (23-30-0105-x-1-802-A; 47-0105)	35	4.3 %
Expenses, Presidential Transition (23-30-0107-x-1-802-A; 47-0107)	--	--
Office of Inspector General (23-30-0108-x-1-804-A; 47-0108)	858	4.3 %
Salaries and Expenses, General Management and Administration (23-30-0110-x-1-804-A; 47-0110)	5,021	4.3 %
Economic Opportunity Act Close-Out Activities (23-30-0115-x-1-506-A; 47-0115)	--	--
Virgin Islands Corporation Liquidation Fund (23-30-4480-x-3-804-A; 47-4480)	--	--
Working Capital Fund (23-30-4540-x-4-804-A; 47-4540)	--	--

NOTE: Accounts with no sequestration are intragovernmental revolving or other funds exempt from reduction. Those marked (*) are reductions to appropriations to a fund.

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

ANSWER. Because savings could not be achieved in the uniform manner sequestered, GSA reprogrammed savings in other accounts. In total, there was no change to post-sequester availability.

		Reprogram $(000's)
Operating Expenses, Federal Supply Service	(23-10-0116-x-1-804-A; 47-0116)	$ + 1,400
Operating Expenses, Information Resources Management Service	(23-15-0900-x-1-804-A; 47-0900)	- 92
Operating Expenses, Federal Property Resources Service (General)	(23-25-0533-x-1-804-A; 47-0533)	- 381
Salaries and Expenses, General Management and Administration	(23-30-0110-x-1-804-A; 47-0110)	- 1,117
Office of Inspector General	(23-30-0108-x-1-804-A; 47-0108)	+ 190

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer subquestions "a" through "i" for your overall department/agency. Answer subquestions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

ANSWER.

Department/agency General Services Administration

Ongoing initiatives to increase efficiency, improve services, streamline operations, and reduce cost were already planned or underway. Some, however, were originally planned for 1987 and were accelerated to meet 1986 reductions. Our goal has been to meet budget constraints by achieving the most efficient and cost effective organization possible.

a) X delay procurements:
I) X noncapital acquisitions: # delayed 22
total $ amount $726,000
II) X capital acquisitions: # delayed 1
total $ amount $1,200,000

b) X restrict travel: total $ amount $ 250,000
% of total travel budget 5.1%

c) ___ restrict training

d) X freeze hiring: duration in months 7 months*
if not affecting whole agency, specify
components affected *
resultant reduction in workforce
because of attrition:
& % of permanent employees
reduced 1,581 (6.7%)*

* GSA had an agencywide hiring freeze in effect through 4/30/86, but individual freezes or selective hiring procedures remain in effect for certain occupations and geographic locations due to streamlining/organizational initiatives. The number of employees reduced through attrition alone is a projection for the full year; data are not available for temporary/other categories of employment.

e) ___ furlough

f) X rif: # of people affected 300 (projected separations)
% of workforce involved 1.2%

g) X retire early: # of people affected 373*
% of workforce involved 2%

* Actual, through July 1, 1986; this is 13% of eligibles.

h) X delay maintenance and repairs: # of projects 7
total $ amount $1,045,000

i) X close field locations (specify where):

Customer Supply Centers in Hingham, MA; Lima, PA; Kansas City, KA, Harahan, LA; and San Juan, PR.
Personal Property Centers in Randolph, MA; Philadelphia, PA; Bridgeville, PA; Atlanta, GA; Chicago, IL; Kansas City, MO; St. Louis, MO; Ft. Worth, TX; Denver (DT), CO; Clearfield, UT; San Francisco, CA; Bell, CA; and Portland, OR.
Supply depots in Denver, CO; Kansas City, MO; and Auburn, WA.

(Question 3 continued)

j) __X__ reduce service to the public:
I) _____ inspections
II) __X__ audits: amt. & % reduced 31 (4.9%) (Office of Inspector General)

III) _____ technical assistance
IV) __X__ other: investigations: 56 cases (8.6%) (Office of Inspector General)
consumer information catalogs: 3 million copies ($70,000, 4.3%) (Consumer Information Center)

k) _____ reduce benefits available to the public

l) _____ raise user fees

m) __X__ other:

Realigned supply management and overhead structure, and zonalized travel and transportation management functions.

Centralized information resources management functions from 11 to 5 regions.

Consolidated accounting operations from 11 to 2 regions.

Consolidated administrative services and personnel support functions in 6 regions into 3 regions.

Abolished a separate central office for regulatory, oversight, and office automation responsibilities; consolidated functions into other existing organizations.

Reduced supervisory layering and administrative overhead in the Boston, Denver, and Auburn (Seattle) regions by having the New York, Ft. Worth, and San Francisco regions provide program direction/support functions.

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer subquestions "a" through "i" for your overall department/agency. Answer subquestions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

ANSWER.

Department/agency General Services Administration

Estimated amount of reduction $ 28,993,483

Because of ongoing streamlining and the full-year effect of 1986 management and organizational efficiencies, a 1987 level $29M below total 1986 post G-R-H budget authority could be accommodated with moderate impact if it is selectively applied (i.e., not uniformly applied by account).

This reduction, however, would impede our ability to meet new legislated requirements and to make investments needed to operate more effectively. The 1987 budget included:

- $5.9 million in ADP/operating equipment to enhance the operation and competitiveness of our paper-based supply system.
- $.7 million for new requirements under the Competition in Contracting and Procurement Fraud Civil Penalties Acts.
- $1 million needed to enhance Inspector General audit and investigation activities that detect/prevent fraud, waste, and abuse.

(Question 4 continued)

o $.7 million to increase Indian Trust Accounting support towards court-mandated levels.
o $6.3 million needed to recompete our accounting support contract (current contract expires in 1987).
o $2.4 million to expand contract transportation audits to increase collection of overcharges (counts as budget authority, even though costs are financed from collections)

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer subquestions "a" through "i" for your overall department/agency. Answer subquestions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

ANSWER.

Department/agency General Services Administration

Estimated amount of reduction $ 46,866,178

GSA is not prepared at this time to identify what action would be necessary to meet a reduction of this magnitude.

While most of GSA's $7 billion annual operations are conducted through revolving funds, its relatively small appropriations provide the management, direction, and oversight needed to accomplish the program. In the case of the Federal Supply Service, appropriations also support all personnel engaged in supply functions.

These appropriations have already undergone extensive streamlining to meet budget goals: current 1986 post G-R-H budget authority of $397.2 million is essentially the same level as enacted in 1985. They are also personnel-intensive (over 80% in some cases), so there are few discretionary efforts that can be canceled or postponed to achieve savings.

Therefore, a $47 million additional reduction could not be accomplished without an extensive program evaluation to determine what functions or services to other Federal agencies would have to be discontinued or permanently eliminated.

Harry S. Truman Scholarship Foundation
712 Jackson Place, NW, Washington, DC 20006
Telephone Area Code 202-395-4831

RECEIVED
JUL 28 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

OFFICERS AND TRUSTEES

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Hon C Westbrook Murphy
General Counsel

Malcolm C McCormack
Executive Secretary

July 21, 1986

Honorable Jack Brooks, Chairman
Committee on Government Operations
2157 Rayburn House Office Building
Washington, D.C. 20515

Dear Jack:

The Foundation appreciates your June 26, 1986 inquiry about the impact on our program of the Gramm-Rudman-Hollings Act. My absence from the city has prevented an earlier reply.

The Foundation's operations are funded entirely from the interest earned on a fully appropriated trust fund invested in U.S. Government securities. As explained more fully below, that income is more than ample to meet the Foundation's needs, but the Gramm-Rudman-Hollings Act nevertheless has required the Foundation to reduce its scholarship stipends while the trust fund's income unnecessarily accumulates.

In FY 1985, for example, the Foundation funded $1,580,111.00 in grants to 388 eligible Truman Scholars. Administrative expenses in connection with the above grants, and for the identification, nomination and selection of the new Truman Scholars totalled $448,802.00. Foundation income on U.S. securities held by the Harry S. Truman Memorial Scholarship Trust Fund in the U.S. Treasury totalled $3,959,419.00, almost double the Foundation's total outlays.

In November, 1985, Congress amended the Harry S. Truman Memorial Scholarship Act to increase from $5,000 to $10,000 the maximum annual stipend that the Foundation may award each Truman Scholar. The increase permits Truman Scholarships to more nearly meet rising educational costs, which have more than doubled since the Act was passed in 1974.

Last Fall, the Foundation established the maximum stipend for each eligible Truman Scholar at $7,000 for the 1986-87 academic year, but in the spring we had to reduce that maximum from $7,000 to $6,500 to meet the requirements of Gramm-Rudman-Hollings. The Foundation believes that such a reduction contravenes the Congressional intent, as reaffirmed in last Fall's amendment to the Scholarship Act, to provide most recipients with full scholarships, and does so without any impact on deficit reduction because funds are expended for budgetary purposes when the interest regularly is credited to the Foundation's Trust Fund.

Thus, the net result of Gramm-Rudman-Hollings is to require an accumulation in our trust fund of income that the Foundation believes it was directed to award, and should award, in scholarships to promising students who plan careers in public service. It needlessly restricts the Foundation's ability to carry out this most appropriate program to memorialize President Harry S. Truman by attracting outstanding young people to the public service.

Enclosed is a completed questionnaire as you requested. Please call me or the Foundation's Executive Secretary, Malcolm McCormack, if you have any questions.

Cordially,

Elmer

Elmer B. Staats,
Chairman

Enclosure

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Harry S. Truman Scholarship Foundation
Identification code [illegible]

a) NA delay procurements:
  I) NA noncapital acquisitions: # delayed____ total $ amount____
  II) NA capital acquisitions: # delayed____ total $ amount____

b) yes restrict travel: total $ amount [illegible]
  % of total travel budget -[illegible]

c) NA restrict training: total $ amount____
  % of total training budget____

d) yes freeze hiring: duration in months indefinite
  if not affecting whole agency, specify the components affected____
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced____
    # & % of temporary employees reduced____
    # & % of other employees reduced____

e) NA furlough: # of days____
  # of people affected____
  % of workforce involved____

f) NA rif: # of people affected____
  % of workforce involved____

g) NA retire early: # of people affected____
  % of workforce involved____

h) NA delay maintenance and repairs: # of projects____
  total $ amount____

i) none close field locations (specify where):____

j) yes reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) NA inspections: amt. & % reduced____
  II) NA audits: amt. & % reduced____
  III) NA technical assistance: amt. & % reduced____
  IV) Yes other (specify) notification*: amt. & % reduced [illegible] -2[illegible]

k) Yes reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) yes grants: amt. & % reduced $66,000 -4½%
  II) NA loans: amt. & % reduced____
  III) NA other (specify)____: amt. & % reduced____

l) NA raise user fees (specify component, program, and amount of increase in each):____

m) NA other (provide details):____

* Foundation newsletter (2-to-3 issues per annum; approx. circulation [illegible]00, to college presidents, faculty, educational leaders, Truman Scholars, plus program notices in educational publications and mailings to campuses.

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Harry S. Truman Scholarship Foundation

Estimated amount of reduction - $183,000

a) NA delay procurements:
  I) NA noncapital acquisitions: # delayed ____ total $ amount ____
  II) NA capital acquisitions: # delayed ____ total $ amount ____
b) yes restrict travel: total $ amount $2,000 -15% % of total travel budget - 15%
c) NA restrict training: total $ amount ____ % of total training budget ____
d) yes freeze hiring: duration in months indefinitely
  if not affecting whole agency, specify the components affected ____
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced ____
    # & % of temporary employees reduced ____
    # & % of other employees reduced ____
e) NA furlough: # of days ____ # of people affected ____ % of workforce involved ____
f) NA rif: # of people affected ____ % of workforce involved ____
g) NA retire early: # of people affected ____ % of workforce involved ____
h) NA delay maintenance and repairs: # of projects ____ total $ amount ____
i) none close field locations (specify where): ____
j) yes reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) NA inspections: amt. & % reduced ____
  II) NA audits: amt. & % reduced ____
  III) NA technical assistance: amt. & % reduced ____
  IV) yes other (specify) notification* amt. & % reduced $10,000 -30%
k) yes reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) yes grants: amt. & % reduced - $142,000 - 7½%
  II) NA loans: amt. & % reduced ____
  III) NA other (specify) ____: amt. & % reduced ____
l) NA raise user fees (specify component, program, and amount of increase in each): ____
m) NA other (provide details): ____

* see footnote, page 1

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Harry S. Truman Scholarship Foundation

Estimated amount of reduction - $295,000

a) NA delay procurements:
  I) NA noncapital acquisitions: # delayed ____ total $ amount ____
  II) NA capital acquisitions: # delayed ____ total $ amount ____
b) yes restrict travel: total $ amount $3,000
  % of total travel budget - 25%
c) NA restrict training: total $ amount ____
  % of total training budget ____
d) yes freeze hiring: duration in months indefinitely
  if not affecting whole agency, specify the components affected ____
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced ____
    # & % of temporary employees reduced ____
    # & % of other employees reduced ____
e) NA furlough: # of days ____
  # of people affected ____
  % of workforce involved ____
f) NA rif: # of people affected ____
  % of workforce involved ____
g) NA retire early: # of people affected ____
  % of workforce involved ____
h) NA delay maintenance and repairs: # of projects ____
  total $ amount ____
i) none close field locations
  (specify where): ____
j) yes reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) NA inspections: amt. & % reduced ____
  II) NA audits: amt. & % reduced ____
  III) NA technical assistance: amt. & % reduced ____
  IV) yes other (specify) notification* amt. & % reduced $12,000 - [illegible]%
*k) yes reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) yes grants: amt. & % reduced $242,000 -12%
  II) NA loans: amt. & % reduced ____
  III) NA other (specify) ____: amt. & % reduced ____
l) NA raise user fees (specify component, program, and amount of increase in each): ____
m) NA other (provide details): ____

*see footnote, page 1

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE MANAGING DIRECTOR

July 11, 1986

RECEIVED
JUL 1 4 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

Honorable Jack Brooks
U.S. House of Representatives
Committee on Government Operations
2157 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Brooks:

Chairman Gradison has asked me to respond to your request of June 26, 1986, regarding past and future impacts of the Gramm-Rudman-Hollings law. Enclosed is the completed questionnaire you requested. Should the Committee staff need clarification on the information, they should contact Mary Hogya at 275-7827.

Sincerely,

For: Edward E. Guthrie
Managing Director

Enclosure

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration. (See Attached.)

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding. (See Attached.)

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Interstate Commerce Commission

a) Yes delay procurements:
  I) Yes noncapital acquisitions: # delayed 3
    total $ amount $157,000
  II) Yes capital acquisitions: # delayed 1
    total $ amount $76,000
b) Yes restrict travel: total $ amount $105,000
  % of total travel budget 10.2%
c) No restrict training: total $ amount ______
  % of total training budget ______
d) Yes freeze hiring: duration in months 4
  if not affecting whole agency, specify the components affected ______
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 44 employees; 5.4%
    # & % of temporary employees reduced ______
    # & % of other employees reduced ______
e) No furlough: # of days ______
  # of people affected ______
  % of workforce involved ______
f) No rif: # of people affected ______
  % of workforce involved ______
g) No retire early: # of people affected ______
  % of workforce involved ______
h) No delay maintenance and repairs: # of projects ______
  total $ amount ______
i) No close field locations (specify where): ______
j) No reduce service to the public (specify component and program and give amount and percent of reduction in each):
*(See Attached, pages 4-5.)
  I) ______ inspections: amt. & % reduced ______
  II) ______ audits: amt. & % reduced ______
  III) ______ technical assistance: amt. & % reduced ______
  IV) ______ other (specify) ______: amt. & % reduced ______
k) No reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) ______ grants: amt. & % reduced ______
  II) ______ loans: amt. & % reduced ______
  III) ______ other (specify) ______: amt. & % reduced ______
l) No raise user fees (specify component, program, and amount of increase in each): ______
m) Yes other (provide details): Reduced rental of office space, $31,000, .6%

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Interstate Commerce Commission

Estimated amount of reduction $3,526,000

a) Yes delay procurements:
  I) Yes noncapital acquisitions: # delayed 2
    total $ amount $75,000
  II) No capital acquisitions: # delayed ___
    total $ amount ___

b) Yes restrict travel: total $ amount $200,000
  % of total travel budget 18%

c) Yes restrict training: total $ amount $120,000
  % of total training budget 80%

d) Yes freeze hiring: duration in months 12 months
  if not affecting whole agency, specify the components affected ___
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 85, 10.5%
    # & % of temporary employees reduced ___
    # & % of other employees reduced ___

e) No furlough: # of days ___
  # of people affected ___
  % of workforce involved ___

f) No rif: # of people affected ___
  % of workforce involved ___

g) No retire early: # of people affected ___
  % of workforce involved ___

h) No delay maintenance and repairs: # of projects ___
  total $ amount ___

i) No close field locations
  (specify where): ___

j) Yes reduce service to the public (specify component and program and give amount and percent of reduction in each):
*(See Attached, page 6.)
  I) ___ inspections: amt. & % reduced ___
  II) ___ audits: amt. & % reduced ___
  III) ___ technical assistance: amt. & % reduced ___
  IV) ___ other (specify) ___: amt. & % reduced ___

k) No reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) ___ grants: amt. & % reduced ___
  II) ___ loans: amt. & % reduced ___
  III) ___ other (specify) ___: amt. & % reduced ___

l) No raise user fees (specify component, program, and amount of increase in each): ___

m) Yes other (provide details): Reduction in rental of office space $200,000, 4%
Freeze on employee relocations $100,000, 100%

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Interstate Commerce Commission

Estimated amount of reduction $5,470,000

a) Yes delay procurements:
  I) Yes noncapital acquisitions: # delayed 2
    total $ amount $75,000
  II) Yes capital acquisitions: # delayed 1
    total $ amount $125,000

b) Yes restrict travel: total $ amount $600,000
  % of total travel budget 54%

c) Yes restrict training: total $ amount $150,000
  % of total training budget 100%

d) Yes freeze hiring: duration in months 12
  if not affecting whole agency, specify the components affected ____
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 85 10.5%
    # & % of temporary employees reduced ____
    # & % of other employees reduced ____

e) No furlough: # of days ____
  # of people affected ____
  % of workforce involved ____

f) Yes rif: # of people affected 100
  % of workforce involved 12.5%

g) No retire early: # of people affected ____
  % of workforce involved ____

h) No delay maintenance and repairs: # of projects ____
  total $ amount ____

i) No close field locations (specify where): ____

j) Yes reduce service to the public (specify component and program and give amount and percent of reduction in each):

*(See Attached, page 7.)

  I) ____ inspections: amt. & % reduced ____
  II) ____ audits: amt. & % reduced ____
  III) ____ technical assistance: amt. & % reduced ____
  IV) ____ other (specify) ____: amt. & % reduced ____

k) No reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) ____ grants: amt. & % reduced ____
  II) ____ loans: amt. & % reduced ____
  III) ____ other (specify) ____: amt. & % reduced ____

l) No raise user fees (specify component, program, and amount of increase in each): ____

m) Yes other (provide details): ____
  Reduction in rental of office space $250,000, 5%
  Freeze on employee relocations $100,000, 100%

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1. Interstate Commerce Commission

Salaries and Expenses	Account No. 306-0100
Amount Reduced	$2,072,000
Percent Reduced	4.3%
Payments for Directed Rail Service	Account No. 30X-0103
Amount Reduced	-
Percent Reduced	-

2. Subsequent to the sequestration of February/March 1986, no additional funds were provided to either account.

3.j) Additional information on FY 1986 impact:

In FY 1986, the Commission has experienced reductions in a number of workload activities, primarily in the motor areas. These workload reductions permitted attrition to operate without affecting service to the public. In addition to the changes in the staffing pattern and employment level, the Commission has made changes in the way things are done which have resulted in productivity increases. There was one exception to the pattern of workload decreases and productivity increases: the attrition of employees in Commissioners' Offices related to the abolishment of two seats on the Commission, as required by law. The following table shows attrition for each component.

Attrition of Full-time Permanent Employees under Gramm-Rudman-Hollings Hiring Freeze, by Bureau and Office

Bureau/Office	
Commissioners and their offices	-11
Secretary	-3
General Counsel	-1
Proceedings	-7
Hearings	-3
Public Assistance	0
Transportation Analysis	0
Accounts	-8
Traffic	-3
Compliance and Consumer Assistance	-8
Managing Director	0
Total	-44

4. The Commission's FY 1987 budget request asks for the resource level needed to provide for the continuity of regulatory functions under current legislation. Some declines in service to the public would have to occur in order to achieve a 7.3% cost reduction, primarily through a hiring freeze and concomitant attrition of over 80 persons. Areas which likely will be affected are licensing and other proceedings, inspections and other compliance monitoring, and technical assistance functions. Since very few personnel resources are planned for auditing, the impact in that area would be negligible. We are unable to give you specific information on the impact of such a reduction for each function and agency component, because the Commission would have to carefully weigh its priorities, assess trends in workload and attrition, and vote on an action plan to implement such a sizable reduction.

5. The Commission's FY 1987 budget request asks for the resource level needed to provide for the continuity of regulatory functions under current legislation. Significant reductions in service to the public would have to occur in order to achieve an 11.3% cost reduction; this would be accomplished primarily through a RIF of approximately 100 persons and a hiring freeze resulting in attrition of 85 persons. It is likely that all work activities would be affected with a total personnel reduction of 185, or 23%. We are unable to give you specific information on the impact of such a reduction for each function and agency component, because the Commission would have to carefully weigh its priorities, assess trends in workload and attrition, and vote on an action plan to implement such a sizable reduction.

RECEIVED
18 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

U.S. MERIT SYSTEMS PROTECTION BOARD
Washington, D.C. 20419

JUL 17 1986

The Honorable Jack Brooks
Chairman
Committee on Government Operations
House of Representatives
2157 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Brooks:

Enclosed are our responses to the questionnaire you sent to us with your letter of June 26. This questionnaire was completed on the basis that the workload of the Merit Systems Protection Board (the Board) would remain relatively constant in fiscal 1987. As you are aware, personnel actions such as reduction in force and certain furlough actions are appealable to the Board. Government-wide reductions as contemplated by your letter would result in a substantial increase in appeal receipts to the Board. A supplemental appropriation might then have to be requested.

The Board has one budget account numbered 4160100, which is entitled "Salaries and Expenses." In 1986 this account was reduced 4.3 percent ($860,000) as a result of the sequestration. No other changes have been made to the account.

Please contact our Budget Officer, Douglas Wade, at 653-8976 for any further information.

Sincerely,

Maria L Johnson

Maria L. Johnson
Acting Chairman

Enclosure

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency U.S. Merit Systems Protection Board

a) _____delay procurements:
    I) _____noncapital acquisitions: # delayed_____
        total $ amount_____
    II) _____capital acquisitions: # delayed_____
        total $ amount_____
b) _____restrict travel: total $ amount_____
    % of total travel budget_____
c) _____restrict training: total $ amount_____
    % of total training budget_____
d) X freeze hiring: duration in months 12
    if not affecting whole agency, specify the components affected all; with few exceptions
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced 21, 6%
        # & % of temporary employees reduced_____
        # & % of other employees reduced_____
e) _____furlough: # of days_____
    # of people affected_____
    % of workforce involved_____
f) _____rif: # of people affected_____
    % of workforce involved_____
g) _____retire early: # of people affected_____
    % of workforce involved_____
h) _____delay maintenance and repairs: # of projects_____
    total $ amount_____
i) _____close field locations (specify where):_____
j) _____reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I) _____inspections: amt. & % reduced_____
    II) _____audits: amt. & % reduced_____
    III) _____technical assistance: amt. & % reduced_____
    IV) _____other (specify)_____: amt. & % reduced_____
k) _____reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I) _____grants: amt. & % reduced_____
    II) _____loans: amt. & % reduced_____
    III) _____other (specify)_____: amt. & % reduced_____
l) _____raise user fees (specify component, program, and amount of increase in each):_____
m) _____other (provide details):_____

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency U.S. Merit Systems Protection Board

Estimated amount of reduction $1,397,220

a)_____delay procurements:
    I)_____noncapital acquisitions: # delayed_____
        total $ amount_____
    II)_____capital acquisitions: # delayed_____
        total $ amount_____
b)_____restrict travel: total $ amount_____
    % of total travel budget_____
c) X restrict training: total $ amount $ 50,000
    % of total training budget 33%
d) X freeze hiring: duration in months 24
    if not affecting whole agency, specify the components affected all; with few exceptions
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced 55, 16 %
        # & % of temporary employees reduced_____
        # & % of other employees reduced_____
e)_____furlough: # of days_____
    # of people affected_____
    % of workforce involved_____
f)_____rif: # of people affected_____
    % of workforce involved_____
g)_____retire early: # of people affected_____
    % of workforce involved_____
h)_____delay maintenance and repairs: # of projects_____
    total $ amount_____
i)_____close field locations (specify where):_____
j) X reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I)_____inspections: amt. & % reduced_____
    II)_____audits: amt. & % reduced_____
    III)_____technical assistance: amt. & % reduced_____
    IV) X other (specify) * : amt. & % reduced_____
k)_____reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I)_____grants: amt. & % reduced_____
    II)_____loans: amt. & % reduced_____
    III)_____other (specify)_____: amt. & % reduced_____
l)_____raise user fees (specify component, program, and amount of increase in each):_____
m)_____other (provide details):_____

* There would be a build-up of the case backlog which might mean a longer time required to adjudicate the appeals, thus causing government agencies significantly greater back pay awards in cases which they lost.

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency U.S. Merit Systems Protection Board

Estimated amount of reduction $2,162,820

a) _____ delay procurements:
  I) _____ noncapital acquisitions: # delayed _____ total $ amount _____
  II) _____ capital acquisitions: # delayed _____ total $ amount _____

b) _____ restrict travel: total $ amount _____ % of total travel budget _____

c) x restrict training: total $ amount $ 50,000 % of total training budget 33 %

d) x freeze hiring: duration in months 24
  if not affecting whole agency, specify the components affected all; with few exceptions
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 55, 16%
    # & % of temporary employees reduced _____
    # & % of other employees reduced _____

e) x furlough: # of days 14
  # of people affected 314
  % of workforce involved 100 %

f) _____ rif: # of people affected _____ % of workforce involved _____

g) _____ retire early: # of people affected _____ % of workforce involved _____

h) _____ delay maintenance and repairs: # of projects _____ total $ amount _____

i) _____ close field locations (specify where): _____

j) x reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) _____ inspections: amt. & % reduced _____
  II) _____ audits: amt. & % reduced _____
  III) _____ technical assistance: amt. & % reduced _____
  IV) x other (specify)* _____ : amt. & % reduced _____

k) _____ reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) _____ grants: amt. & % reduced _____
  II) _____ loans: amt. & % reduced _____
  III) _____ other (specify) _____ : amt. & % reduced _____

l) _____ raise user fees (specify component, program, and amount of increase in each): _____

m) _____ other (provide details): _____

* There would be a build-up of the case backlog which might mean a longer time required to adjudicate the appeals, thus costing government agencies significantly greater backpay awards in cases that they lost.

National Archives

Washington, DC 20408

RECEIVED

[illegible] 1[illegible] 1986

HOUSE [illegible]
GOVERN[illegible]NS

JUL 14 1986

Honorable Jack Brooks
Chairman, Committee on Government Operations
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

This letter is in response to your June 26, 1986, request concerning the FY 1986 and FY 1987 impact of the Gramm-Rudman-Hollings legislation. Enclosed is the completed questionnaire for the National Archives and Records Administration. Due to the small size of the agency, our responses to subquestions "j" through "m" are at the agency level.

If you need additional information, please contact Patricia Dews on 523-3035.

Sincerely,

Frank G. Burke

FRANK G. BURKE
Acting Archivist
of the United States

Enclosure

National Archives and Records Administration

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT
(Dollars in Thousands)

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration. See attached.

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.
See attached.

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency National Archives and Records Administration

a) X delay procurements: Operating Expenses
I) X noncapital acquisitions: # delayed 168
total $ amount $1,678
II) X capital acquisitions: # delayed 20
total $ amount $500
See attached for Trust Fund.
b) X restrict travel: total $ amount $20
% of total travel budget 6%
c) X restrict training: total $ amount 12
% of total training budget 10%
d) X freeze hiring: duration in months 8 months
if not affecting whole agency, specify the components affected entire agency
resultant reduction in workforce because of attrition:
& % of permanent employees reduced 73; 4.3%
& % of temporary employees reduced 0
& % of other employees reduced 0
e) _____ furlough: # of days _____
# of people affected _____
% of workforce involved _____
f) X rif: # of people affected [illegible]
% of workforce involved less than 1%
g) _____ retire early: # of people affected _____
% of workforce involved _____
h) X delay maintenance and repairs: # of projects 20
total $ amount $592
i) _____ close field locations (specify where): _____
j) _____ reduce service to the public (specify component and program and give amount and percent of reduction in each):
I) _____ inspections: amt. & % reduced _____
II) _____ audits: amt. & % reduced _____
III) _____ technical assistance: amt. & % reduced _____
IV) _____ other (specify) _____: amt. & % reduced _____
k) X reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
I) X grants: amt. & % reduced $172; 4.3%
II) _____ loans: amt. & % reduced _____
III) _____ other (specify) _____: amt. & % reduced _____
l) _____ raise user fees (specify component, program, and amount of increase in each): _____
m) X other (provide details): Space reclassification $935

See attached.

(Dollars in thousands)

-2-

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency National Archives and Records Administration

Estimated amount of reduction OE Accounts $7,081 Trust Fund $ 576

a) X delay procurements: Operating Expenses
I) X noncapital acquisitions: # delayed [illegible] total $ amount $716
II) X capital acquisitions: # delayed 20 total $ amount $500
See attached for Trust Fund.
b) X restrict travel: total $ amount $35 % of total travel budget 9%
c) X restrict training: total $ amount $70 % of total training budget 17%
d) X freeze hiring: duration in months 12 months
if not affecting whole agency, specify the components affected entire agency
resultant reduction in workforce because of attrition:
& % of permanent employees reduced 60; 3.6%
& % of temporary employees reduced 0
& % of other employees reduced 0
e) X furlough: # of days [illegible]
# of people affected 1,050
% of workforce involved 68%
f) _____ rif: # of people affected _____
% of workforce involved _____
g) _____ retire early: # of people affected _____
% of workforce involved _____
h) X delay maintenance and repairs: # of projects 25 total $ amount $1,245
i) _____ close field locations (specify where): _____
j) _____ reduce service to the public (specify component and program and give amount and percent of reduction in each):
I) _____ inspections: amt. & % reduced _____
II) _____ audits: amt. & % reduced _____
III) _____ technical assistance: amt. & % reduced _____
IV) _____ other (specify) _____: amt. & % reduced _____
k) X reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
I) X grants: amt. & % reduced $280; 7.3%
II) _____ loans: amt. & % reduced _____
III) _____ other (specify) _____: amt. & % reduced _____
l) _____ raise user fees (specify component, program, and amount of increase in each): _____
m) X other (provide details): Space reclassification $2,087
See attached for details.

(Dollars in Thousands)

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency National Archives and Records Administration

Estimated amount of reduction OE Accounts $11,446
Trust Fund $ 931

a) X delay procurements: Operating Expenses
I) X noncapital acquisitions: # delayed 165
total $ amount $1,648
II) X capital acquisitions: # delayed 40
total $ amount $1,000
See attached for Trust Fund.

b) X restrict travel: total $ amount $79
% of total travel budget 20%

c) X restrict training: total $ amount $30
% of total training budget 25%

d) X freeze hiring: duration in months 12 months
if not affecting whole agency, specify the components affected entire agency
resultant reduction in workforce because of attrition:
& % of permanent employees reduced 60; 3.6%
# & % of temporary employees reduced 0
& % of other employees reduced 0

e) X furlough: # of days 15 days
# of people affected 2,050
% of workforce involved 68%

f) X rif: # of people affected 103
% of workforce involved 5%

g) ______ retire early: # of people affected ______
% of workforce involved ______

h) X delay maintenance and repairs: # of projects 40
total $ amount $2,060

i) ______ close field locations (specify where): ______

j) ______ reduce service to the public (specify component and program and give amount and percent of reduction in each):
I) ______ inspections: amt. & % reduced ______
II) ______ audits: amt. & % reduced ______
III) ______ technical assistance: amt. & % reduced ______
IV) ______ other (specify) ______: amt. & % reduced ______

k) X reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
I) X grants: amt. & % reduced $452; 11.8%
II) ______ loans: amt. & % reduced ______
III) ______ other (specify) ______: amt. & % reduced ______

l) ______ raise user fees (specify component, program, and amount of increase in each): ______

m) X other (provide details): Space reclassification $2,087
See attached for details.

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT
National Archives and Records Administration
(Dollars in Thousands)

1. National Archives and Records Administration
   Operating Expenses
   Account #8860300
   Reduction: $4,187 4.3%

   National Archives and Records Administration
   Operating Expenses
   National Historical Publications Grants
   Account #88X0300
   Reduction: $172 4.3%

   National Archives Trust Fund
   Trust Fund
   Account #88X8436
   Reduction: $330 4.3%

2. There was no additional funding provided for the operating expenses accounts nor the trust fund account.

3. A) Delay procurements: Trust Fund
   noncapital acquisitions: # delayed 33
   total $ amount $330

   M) Reclassification of Rented Space (-$935). The GSA Standard Level User Charge system charges agencies commercially equivalent rates for space rental. The cost is determined by the type of space rented by NARA. At a few record center locations, space was reclassified from light industrial area to warehouse area.

4. A) Delay procurements: Trust Fund
   noncapital acquisitions: # delayed 58
   total $ amount $576

   M) Reclassification of Rented Space (-$2,087). The GSA Standard Level User Charge system charges agencies commercially equivalent rates for space rental. The cost is determined by the type of space rented by NARA. At a few record center locations, space was reclassified from light industrial area to warehouse area.

5. A) Delay procurements: Trust Fund
noncapital acquisitions: # delayed 93
total $ amount $931

M) Reclassification of Rented Space (-$2,087). The GSA Standard Level User Charge system charges agencies commercially equivalent rates for space rental. The cost is determined by the type of space rented by NARA. At a few record center locations, space was reclassified from light industrial area to warehouse area.

NATIONAL CREDIT UNION ADMINISTRATION
WASHINGTON, D.C. 20456

RECEIVED
[illegible] 1[illegible] 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

July 16, 1986

OFFICE OF THE CHAIRMAN

Honorable Jack Brooks
Chairman
Committee on Government Operations
U.S. House of Representatives
2157 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

This is in response to your request of June 26, that we complete a questionnaire regarding the effects of Gramm-Rudman-Hollings on NCUA.

Enclosed are our answers to questions 1., 2. and 3. I regret that we are unable to complete questions 4. and 5. as presented.

OMB recently informed us verbally that their original interpretation and guidance concerning the applicability of Gramm-Rudman-Hollings to NCUA was incorrect. They now believe that only NCUA's revenue, which is derived from fees which are assessed to credit unions, and not our expenses, would be subject to sequestration. We are waiting for a written confirmation of this interpretation which they have promised.

NCUA's funds are not subject to the appropriation process and are not allocated by the categories contained in your questionnaire. If our funding (either revenues or expenses) was reduced by 7.3 percent as question 4. assumes or 11.8 percent as question 5. assumes, the NCUA Board would have to decide how to accomplish this reduction. This issue has not yet been formally addressed. However, I have provided some speculation in this regard in testimony to the House Banking Committee, which we are attaching. This testimony contains information regarding NCUA's three funds which I believe will answer, in substance, questions 4. and 5. of your questionnaire. I would like to emphasize that any Gramm-Rudman-Hollings sequestration applied to NCUA would have a severe adverse effect on our examination and supervision program and would threaten the ability of the Central Liquidity Facility to operate; hence, undermining the safety and soundness of the nation's credit unions.

NATIONAL CREDIT UNION ADMINISTRATION
WASHINGTON, D.C. 20456

In the event that you require further clarification, please contact our Controller, Herb Yolles, on 357-1025.

With kindest personal regards, I am

Sincerely,

Roger W Jepsen

ROGER W. JEPSEN
Chairman

RWJ:hsy
Enclosure

Testimony before House Committee on Banking, Finance, and Urban Affairs (June 1, 1986 and June 17, 1986) not reprinted here.

NATIONAL CREDIT UNION ADMINISTRATION
WASHINGTON, D.C. 20456

FEB/MARCH 1986
Sequestration
(000)

NATIONAL CREDIT UNION ADMINISTRATION

QUESTION 1

1. Central Liquidity Facility Fund

Account ID Code 31-33-4468-x-3-371-A: 25-4470

Direct Loan Limitation

Base	Sequester
593,400	25,516

Administrative Expenses

Base	Sequester
841	36

2. Operating Revolving Fund

Account ID Code 31-33-4056-x-3-371-A; 25-4056

	Base	Sequester
Operating Expenses		
Examination & Supervision	24,229	1,042
Chartering Program	505	21
Administration of Insurance	9,711	418
TOTAL	34,445	1,481

QUESTION 2

None of these accounts required or were provided with additional funding at the time of sequestration. The agency had sufficient budgetary savings to cover the sequestration for FY86.

QUESTION 3

For FY86 there were no actions required to accommodate the reductions due to agency budgetary savings at the time the cuts were imposed.

NATIONAL
ENDOWMENT
FOR
THE ARTS

WASHINGTON
D.C. 20506

A Federal agency advised by the
National Council on the Arts

RECEIVED

JUL 17 1986

HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

July 16, 1986

The Honorable Jack Brooks
Chairman
Committee on Government Operations
U.S. House of Representatives
2157 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

This is in response to your request dated June 26, 1986 for information on the impact of the implementation of the Gramm-Rudman-Hollings law. We have made the best possible effort to reflect the ramifications of the G-R-H reductions during the current fiscal year as well as to imagine the potential impact of additional reductions during fiscal year 1987, even though this requires a high degree of speculation.

It should be noted that we have filled in the questionnaire as it is laid out, and have addressed in a simple, arithmetical fashion the questions posed. If these speculative reductions were carried out, it would fundamentally alter the way the agency would operate. The RIFs indicated on pages two and three of the questionnaire would be necessary with a 7.3% or 11.8% reduction of the agency's sequestered FY 1986 administrative budget. Under these circumstances, the remaining staff would not be able to support the traditional way of operating; we would need to reconsider the Endowment's entire process.

Our FY 1987 proposed budget of $144.9 million (with $14.9 million for agency operations) anticipates the need for Federal deficit reduction, but achieves these reductions in a way which provides for effective management of our responsibilities.

The 7.3% and 11.8% reductions during fiscal year 1987 will, of course, be applied to the fiscal year 1986 budget. The following basic assumptions are included in our computations:

> The pay rate in fiscal year 1987 is the same as fiscal year 1986. This reflects the existing law governing pay rates and does not include a cost-of-living increase. The proposed fiscal year 1987 pay increase of 3%, effective January 1987, would place added demands on the personnel accounts.
>
> The higher cost of the newly established Retirement System which will become effective beginning, January 1, 1987, is included.

The information that we have provided on pages two and three of your questionnaire is hypothetically derived. For the sake of this exercise, we have made many assumptions but have not included all possible variables. This has resulted in highly speculative data. The assumptions we have made are based on the Endowment's existing structure. In the event of actual cuts, the Agency would need to reevaluate this approach.

If you need clarification of the attached information or require additional data, please feel free to contact Christina Van Fossan at 682-5768.

Sincerely,

Kate L. Moore

Kate L. Moore, Director
Office of Policy, Planning
Research & Budget

Enclosure

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration. (Please see attached sheet.)

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding. (Please see attached sheet.)

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency National Endowment for the Arts

a) X delay procurements:
  I) X noncapital acquisitions: # delayed 57
    total $ amount $42,000
  II) X capital acquisitions: # delayed 0
    total $ amount 0
b) X restrict travel: total $ amount $92,000
  % of total travel budget 35%
c) X restrict training: total $ amount $3,000
  % of total training budget 30%
d) X freeze hiring: duration in months Nine; Jan. - Sep., 1986
  if not affecting whole agency, specify the components affected ______
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 12 employees; 4.8%
    # & % of temporary employees reduced 3 employees; 27.2%
    # & % of other employees reduced 0
e) TBD* furlough: # of days TBD
  # of people affected TBD
  % of workforce involved TBD
*To Be Determined
f) N/A rif: # of people affected N/A
  % of workforce involved N/A
g) N/A retire early: # of people affected N/A
  % of workforce involved N/A
h) N/A delay maintenance and repairs: # of projects N/A
  total $ amount N/A
i) N/A close field locations
  (specify where): N/A
j) X reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) N/A inspections: amt. & % reduced N/A
  II) N/A audits: amt. & % reduced N/A
  III) N/A technical assistance: amt. & % reduced N/A
  IV) X other Regional Representatives amt. & % reduced $89,000; 15%
k) X reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) X grants: amt. & % reduced $6,457,000; 4.3%
  II) N/A loans: amt. & % reduced N/A
  III) N/A other (specify) N/A : amt. & % reduced N/A
l) N/A raise user fees (specify component, program, and amount of increase in each): N/A
m) X other (provide details): Panelist Contracts 1/

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency National Endowment for the Arts

Estimated amount of reduction $11,573,274 2/

a) X delay procurements:
  I) X noncapital acquisitions: # delayed 108
    total $ amount $79,000
  II) X capital acquisitions: # delayed 0
    total $ amount 0

b) X restrict travel: total $ amount 0
  % of total travel budget 0

c) X restrict training: total $ amount $5,000
  % of total training budget 50%

d) X freeze hiring: duration in months Three; Oct. - Dec., 1986
  if not affecting whole agency, specify the components affected
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 7 employees; 3.0%
    # & % of temporary employees reduced 5 employees; 62.5%
    # & % of other employees reduced 0

e) N/A furlough: # of days N/A
  # of people affected N/A
  % of workforce involved N/A

f) X rif: # of people affected 22 employees released
  % of workforce involved 28.9% 3/

g) X retire early: # of people affected 10 4/
  % of workforce involved 4.4%

h) N/A delay maintenance and repairs: # of projects N/A
  total $ amount N/A

i) N/A close field locations (specify where): N/A

j) X reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) N/A inspections: amt. & % reduced N/A
  II) X audits: amt. & % reduced $3.6 million; 17% 5/
  III) N/A technical assistance: amt. & % reduced N/A
  IV) N/A other (specify) N/A : amt. & % reduced N/A

k) X reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) X grants: amt. & % reduced $10,491,231; 7.3%
  II) N/A loans: amt. & % reduced N/A
  III) N/A other (specify) N/A : amt. & % reduced N/A

l) N/A raise user fees (specify component, program, and amount of increase in each): N/A

m) X other (provide details): Panelist Contracts 6/

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency National Endowment for the Arts

Estimated amount of reduction $18,707,484 2/

a) X delay procurements:
  I) X noncapital acquisitions: # delayed 175
    total $ amount $128,000
  II) X capital acquisitions: # delayed 0
    total $ amount 0
b) X restrict travel: total $ amount 0
  % of total travel budget 0
c) X restrict training: total $ amount $5,000
  % of total training budget 50%
d) X freeze hiring: duration in months Three; Oct. - Dec., 1986
  if not affecting whole agency, specify the components affected ______
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 7 employees; 3.0%
    # & % of temporary employees reduced 5 employees; 62.5%
    # & % of other employees reduced 0
e) N/A furlough: # of days N/A
  # of people affected N/A
  % of workforce involved N/A
f) X rif: # of people affected 36 employees released
  % of workforce involved 47.4% 3/
g) X retire early: # of people affected 10 4/
  % of workforce involved 4.4%
h) N/A delay maintenance and repairs: # of projects N/A
  total $ amount N/A
i) N/A close field locations (specify where): N/A
j) X reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) N/A inspections: amt. & % reduced N/A
  II) X audits: amt. & % reduced $3.6 million, 17% 5/
  III) N/A technical assistance: amt. & % reduced N/A
  IV) N/A other (specify) N/A : amt. & % reduced N/A
k) X reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) X grants: amt. & % reduced $17,041,771; 11.8%
  II) N/A loans: amt. & % reduced N/A
  III) N/A other (specify) N/A : amt. & % reduced N/A
l) N/A raise user fees (specify component, program, and amount of increase in each): N/A
m) X other (provide details): Panelist Contracts 6/

National Endowment for the Arts
Questionnaire on Gramm-Rudman-Hollings Impact
Questions #1 and #2
July 14, 1986

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

Account Title	Account Number	FY 86 BA Enacted	4.3% G-R-H Reduction	FY 86 Net Budget
Grants & Administration	59-0100	$136,437,000	($5,866,000)	$130,571,000
Matching Grants	59-0100	$29,224,000	($1,257,000)	$27,967,000
SUBTOTAL		$165,661,000	($7,123,000)	$158,538,000
Arts & Artifacts Indemnity Fund	59X0101	$298,000	($13,000)	$285,000
TOTAL, Arts Endowment		$165,959,000	($7,136,000)	$158,823,000

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

The above identified accounts have not received any additional funding.

FOOTNOTES

1. Under the FY 1986 sequestration, the budget allocation for panel activity was reduced from $520,000 to $493,000, thereby reducing the number of panelist workdays by 178 from 2,185 to 2,007.

2. The Arts & Artifacts Indemnity Fund is exempt from further reductions because it is a one-time appropriation. This is inconsistent with the assumption that OMB had to make which technically subjects all funds appropriated in FY 1986 regardless of their one-time nature as required by law for the August 15, OMB/CBO Report.

3. The denominator assumes the same attrition experience roughly equivalent to FY 1986.

4. The early retirement figures assume that ten or half of those eligible would retire.

5. There would be a $3.6 million or 17% decrease of audit coverage of NEA grants.

6. In the event of a 7.3% or 11.8% sequestration in FY 1987, the agency would not likely reduce the budget for panelists below the estimate for FY 1986, given that the panels are at the heart of the agency's work. The corresponding estimate of $493,000 will support an estimated 1,980 panelist days, 1.3% less than FY 1986 and 25.4% less than the estimated 2,490 panelist days reflected in the President's FY 1987 budget submission.

NATIONAL ENDOWMENT FOR THE HUMANITIES

WASHINGTON, D.C. 20506

July 11, 1986

RECEIVED

[illegible] 11 1986

HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

The Honorable Jack Brooks
Chairman
House of Representatives
Committee on Government Operations
2157 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Brooks:

Attached is the data you requested concerning the impact of the Gramm-Rudman-Hollings Act on the operations of the National Endowment for the Humanities. In completing the questionnaire for the impact in FY 1987, we had to make several assumptions about the agency's future operations, particularly with respect to personnel turnover. Hence, the answers to questions four and five are highly speculative.

If you need further information, please telephone our Budget Officer, Rainey Alford, at 786-0428.

Sincerely,

Lynne Cheney
Chairman

Attachment

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency National Endowment for the Humanities

a) __x__ delay procurements:
    I) __x__ noncapital acquisitions: # delayed 15-20
        total $ amount $250,000-$300,00
    II) _____ capital acquisitions: # delayed _____
        total $ amount _____
b) __x__ restrict travel: total $ amount $15,000
    % of total travel budget 5%
c) _____ restrict training: total $ amount _____
    % of total training budget _____
d) _____ freeze hiring: duration in months _____
    if not affecting whole agency, specify the components affected _____
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced _____
        # & % of temporary employees reduced _____
        # & % of other employees reduced _____

(See Attached)
e) _____ furlough: # of days _____
    # of people affected _____
    % of workforce involved _____
f) _____ rif: # of people affected _____
    % of workforce involved _____
g) _____ retire early: # of people affected _____
    % of workforce involved _____
h) _____ delay maintenance and repairs: # of projects _____
    total $ amount _____
i) _____ close field locations (specify where): _____
j) _____ reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I) _____ inspections: amt. & % reduced _____
    II) _____ audits: amt. & % reduced _____
    III) _____ technical assistance: amt. & % reduced _____
    IV) _____ other (specify) _____: amt. & % reduced _____
k) __x__ reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I) __x__ grants: amt. & % reduced $5,440,000 - 4.3% fewer grants
    II) _____ loans: amt. & % reduced _____
    III) _____ other (specify) _____: amt. & % reduced _____
l) _____ raise user fees (specify component, program, and amount of increase in each): _____
m) _____ other (provide details): _____

NATIONAL ENDOWMENT FOR THE HUMANITIES

Questionnaire on Impact of Gramm-Rudman-Hollings Act

Question 1: Budget Accounts

Account Title	Symbol	G-R-H Reduction $'s	%
Grants and Administration	59-0200	$4,737,000	4.3%
Matching Grants	59-0200	1,225,000	4.3%
National Capital Arts and Cultural Affairs	59X0201	85,000	4.3%
Gifts and Donations Trust Fund	59X8050	--	--

Question 2: None of the budget accounts listed above was provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions.

Question 3: Item e) furlough - We are not certain at this point, but it appears as if other actions we are taking will preclude the need to furlough employees this fiscal year.

The agency has been operating about 3 percent below its FTE ceiling for the year due to unfilled vacancies while awaiting the appointment of a new Chairman. This resulted in a savings of $250,000 to $300,000 in personnel costs for the year.

OPB
7/10/86

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency National Endowment for the Humanities

Estimated amount of reduction $9,824,486

a) X delay procurements:
  I) X noncapital acquisitions: # delayed 40-50
    total $ amount $640,000
  II) X capital acquisitions: # delayed 3
    total $ amount $10,000
b) X restrict travel: total $ amount $30,000*
  % of total travel budget 25%
c) X restrict training: total $ amount $10,000
  % of total training budget 50%
d) X freeze hiring:** duration in months 12
  if not affecting whole agency, specify the components affected _____
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 40 employees - 15%
    # & % of temporary employees reduced 3 employees - 15%
    # & % of other employees reduced --
e) X furlough: # of days 10
  # of people affected 281
  % of workforce involved 100%
f) _____ rif: # of people affected _____
  % of workforce involved _____
g) _____ retire early: # of people affected _____
  % of workforce involved _____
h) _____ delay maintenance and repairs: # of projects _____
  total $ amount _____
i) _____ close field locations (specify where): _____
j) _____ reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) _____ inspections: amt. & % reduced _____
  II) _____ audits: amt. & % reduced _____
  III) _____ technical assistance: amt. & % reduced _____
  IV) _____ other (specify) _____: amt. & % reduced _____
k) X reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) X grants: amt. & % reduced $8,838,402 - 7.3% fewer grants than FY 1986
  II) _____ loans: amt. & % reduced _____
  III) _____ other (specify) _____: amt. & % reduced _____
l) _____ raise user fees (specify component, program, and amount of increase in each): _____
m) _____ other (provide details): _____

*The dollar savings would be greater were it not for the increase in per-diem rates which took effect 7/1/86.

**Assumes same rate of turnover as FY 1986 and a fifty percent hiring freeze. Fill only one in two vacated positions.

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency National Endowment for the Humanities

Estimated amount of reduction $15,880,676

a) x delay procurements:
  I) x noncapital acquisitions: # delayed 40-50
  total $ amount $640,000
  II) X capital acquisitions: # delayed 3
  total $ amount $10,000
b) X restrict travel: total $ amount $30,000*
  % of total travel budget 25%
c) X restrict training: total $ amount $10,000
  % of total training budget 50%
d) X freeze hiring:** duration in months 12
  if not affecting whole agency, specify the components affected ____
  resultant reduction in workforce because of attrition:
  # & % of permanent employees reduced 53 employees - 20%
  # & % of temporary employees reduced 4 employees - 20%
  # & % of other employees reduced ____
e) x furlough: # of days 26
  # of people affected 281
  % of workforce involved 100%
f) ____ rif: # of people affected ____
  % of workforce involved ____
g) ____ retire early: # of people affected ____
  % of workforce involved ____
h) ____ delay maintenance and repairs: # of projects ____
  total $ amount ____
i) ____ close field locations (specify where): ____
j) ____ reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) ____ inspections: amt. & % reduced ____
  II) ____ audits: amt. & % reduced ____
  III) ____ technical assistance: amt. & % reduced ____
  IV) ____ other (specify) ____: amt. & % reduced ____
k) x reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) X grants: amt. & % reduced $14,286,732 - 11.8 percent fewer grants than FY 198
  II) ____ loans: amt. & % reduced ____
  III) ____ other (specify) ____: amt. & % reduced ____
l) ____ raise user fees (specify component, program, and amount of increase in each): ____
m) ____ other (provide details): ____

*Reflects per-diem rates which took effect on 7/1/86.

**Assumes the same rate of turnover as FY 1986, and that we would fill only one in three positions becoming vacant during the year.

UNITED STATES GOVERNMENT
NATIONAL LABOR RELATIONS BOARD
WASHINGTON, D.C. 20570

RECEIVED
JUL 31 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

23 July 1986

The Honorable Jack Brooks
Chairman, Committee on Government
  Operations
2157 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Chairman:

Enclosed is the National Labor Relations Board's response to the questionnaire on the Gramm-Rudman-Hollings impact. Should there be a need for clarification of any answers, please contact me on 254-9200.

Sincerely,

Ernest Russell
Director of Administration

Enclosures

1935 50th Anniversary 1985
Industrial Democracy Under Law

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration. Answer: National Labor Relations; Salaries & Expenses; 5,799,000; -4.3%; #63-0100-0-1-505

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.
Answer: None

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

~~Department~~/agency National Labor Relations Board

a) x delay procurements:
  I) X noncapital acquisitions: # delayed 5
    total $ amount 900,000
  II) X capital acquisitions: # delayed ____
    total $ amount 475,000
b) X restrict travel: total $ amount 718,900
  % of total travel budget 16.6%
c) X restrict training: total $ amount 114,000
  % of total training budget 30.2%
d) partial freeze hiring: duration in months 9
  if not affecting whole agency, specify the components affected ____
  resultant reduction in workforce because of attrition:
(SEE NOTE #1)
    # & % of permanent employees reduced ____
    # & % of temporary employees reduced ____
    # & % of other employees reduced ____
e) ____ furlough: # of days none
  # of people affected none
  % of workforce involved none
f) ____ rif: # of people affected ____
  % of workforce involved ____
g) ____ retire early: # of people affected ____
  % of workforce involved ____
h) ____ delay maintenance and repairs: # of projects ____
  total $ amount ____
i) ____ close field locations (specify where): ____
j) ____ reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) ____ inspections: amt. & % reduced ____
  II) ____ audits: amt. & % reduced ____
  III) ____ technical assistance: amt. & % reduced ____
  IV) ____ other (specify) ____: amt. & % reduced ____
k) ____ reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) ____ grants: amt. & % reduced ____
  II) ____ loans: amt. & % reduced ____
  III) ____ other (specify) ____: amt. & % reduced ____
l) ____ raise user fees (specify component, program, and amount of increase in each): ____
m) ____ other (provide details): ____

ATTACHMENT - NOTE #1

d) Freeze hiring - (partial)

During fiscal year 1986, the Agency had planned to reduce staff through normal attrition and hire only in selected and needed places. As a result of Gramm-Rudman-Hollings, the Agency delayed some hiring, filling vacancies only when absolutely necessary.

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

~~Department~~/agency National Labor Relations Board

Estimated amount of reduction $9,421,000

a) x delay procurements: (all)
    I) x noncapital acquisitions: # delayed all
        total $ amount 1,000,000
    II) x capital acquisitions: # delayed all
        total $ amount 438,000
b) x restrict travel: total $ amount 1,000,000
    % of total travel budget 25%
c) x restrict training: total $ amount 368,000
    % of total training budget 97.4%
d) x freeze hiring: duration in months 12
    if not affecting whole agency, specify the components affected
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced 200 8.5%
        # & % of temporary employees reduced 10 16.7%
        # & % of other employees reduced
e) x furlough: # of days 18
    # of people affected 2,350
    % of workforce involved 97.9%
f) rif: # of people affected
    % of workforce involved
g) retire early: # of people affected
    % of workforce involved
h) x delay maintenance and repairs: # of projects 10
    (Facilities) total $ amount 122,000
i) close field locations
    (specify where):
j) x reduce service to the public (specify component and program and give amount and percent of reduction in each): case investigation travel
    I) inspections: amt. & % reduced
    II) audits: amt. & % reduced
    III) technical assistance: amt. & % reduced
    IV) x other (specify) see "b" : amt. & % reduced see "b"
k) reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I) grants: amt. & % reduced
    II) loans: amt. & % reduced
    III) other (specify) : amt. & % reduced
l) raise user fees (specify component, program, and amount of increase in each):
m) x other (provide details): Agency Printing Costs

For pamphlets, weekly summary, publications would be delayed or not printed at all. $188,000 32.7%

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

~~Department~~/agency National Labor Relations Board

Estimated amount of reduction $15,228,000

a) X delay procurements: (all)
  I) X noncapital acquisitions: # delayed all
    total $ amount 1,000,000
  II) X capital acquisitions: # delayed all
    total $ amount 438,000

b) X restrict travel: total $ amount 2,000,000
  % of total travel budget 50%

c) X restrict training: total $ amount 378,000
  % of total training budget 100%

d) X freeze hiring: duration in months 12
  if not affecting whole agency, specify the components affected ______
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 200 8.5%
    # & % of temporary employees reduced 10 16.7%
    # & % of other employees reduced ______

e) X furlough: # of days 26
  # of people affected 2,350
  % of workforce involved 97.9%

f) X rif: # of people affected 240
  % of workforce involved 10%

g) X retire early: # of people affected 200
  % of workforce involved 8.3

h) X delay maintenance and repairs: (Facilities) # of projects 10
  total $ amount 122,000

i) ______ close field locations (specify where): ______

j) X reduce service to the public (specify component and program and give amount and percent of reduction in each): case investigation travel
  I) ______ inspections: amt. & % reduced ______
  II) ______ audits: amt. & % reduced ______
  III) ______ technical assistance: amt. & % reduced ______
  IV) X other (specify) see "b&f": amt. & % reduced see "b&f"

k) ______ reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) ______ grants: amt. & % reduced ______
  II) ______ loans: amt. & % reduced ______
  III) ______ other (specify) ______: amt. & % reduced ______

l) ______ raise user fees (specify component, program, and amount of increase in each): ______

m) X other (provide details): ______

All services in all object classes would be sharply reduced. Only minimum casehandling expenses and administrative support costs would be funded. Casehandling would suffer substantial delays.

NATIONAL MEDIATION BOARD
WASHINGTON, D.C. 20572

OFFICE OF THE CHAIRMAN

RECEIVED
JUL 14 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

July 14, 1986

Honorable Jack Brooks
Chairman, Committee on
Government Operations
2157 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

Per your request of June 26, 1986, attached is the questionnaire which shows the possible impact that the Gramm-Rudman-Hollings would have on the programs administered by the National Mediation Board assuming a government-wide sequester in Fiscal Year 1987.

If you require additional information, please contact Mary C. Pricci, Administrative Officer, on 523-5950.

Sincerely,

Charles L. Woods
Chairman

Attachment

CLW/mps

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency NATIONAL MEDIATION BOARD

a) _____ delay procurements:
    I) _____ noncapital acquisitions: # delayed _____
        total $ amount _____
    II) _____ capital acquisitions: # delayed _____
        total $ amount _____

b) XXX restrict travel. total $ amount 37,000
    % of total travel budget 6%

c) XXX restrict training: total $ amount 6,000
    % of total training budget 60%

d) XXX freeze hiring: duration in months 6
    if not affecting whole agency, specify the components affected _____
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced 0
        # & % of temporary employees reduced 0
        # & % of other employees reduced 0

e) _____ furlough: # of days _____
    # of people affected _____
    % of workforce involved _____

f) _____ rif: # of people affected _____
    % of workforce involved _____

g) _____ retire early: # of people affected _____
    % of workforce involved _____

h) _____ delay maintenance and repairs: # of projects _____
    total $ amount _____

i) _____ close field locations (specify where): _____

j) XXX reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I) _____ inspections: amt. & % reduced _____
    II) _____ audits: amt. & % reduced _____
    III) _____ technical assistance: amt. & % reduced _____
    IV) xx other (specify) /1 : amt. & % reduced _____

k) _____ reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I) _____ grants: amt. & % reduced _____
    II) _____ loans: amt. & % reduced _____
    III) _____ other (specify) _____ : amt. & % reduced _____

l) _____ raise user fees (specify component, program, and amount of increase in each): _____

m) _____ other (provide details): _____

/1 Arbitration of railroad grievances, $203,000 (9%).

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency NATIONAL MEDIATION BOARD

Estimated amount of reduction $444,000

a) xxx delay procurements:
I) _____ noncapital acquisitions: # delayed _____
total $ amount _____
II) xx capital acquisitions: # delayed _____
total $ amount $20,000
b) xxx restrict travel: total $ amount $79,000
% of total travel budget 15%
c) _____ restrict training: total $ amount _____
% of total training budget _____
d) xx freeze hiring: duration in months 12
if not affecting whole agency, specify the components affected _____
resultant reduction in workforce because of attrition:
# & % of permanent employees reduced one ($30,000)
# & % of temporary employees reduced 0
# & % of other employees reduced 0
e) _____ furlough: # of days _____
# of people affected _____
% of workforce involved _____
f) _____ rif: # of people affected _____
% of workforce involved _____
g) _____ retire early: # of people affected _____
% of workforce involved _____
h) _____ delay maintenance and repairs: # of projects _____
total $ amount _____
i) _____ close field locations (specify where): _____
j) xx reduce service to the public (specify component and program and give amount and percent of reduction in each):
I) _____ inspections: amt. & % reduced _____
II) _____ audits: amt. & % reduced _____
III) _____ technical assistance: amt. & % reduced _____
IV) xx other (specify) /1 : amt. & % reduced _____
k) _____ reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
I) _____ grants: amt. & % reduced _____
II) _____ loans: amt. & % reduced _____
III) _____ other (specify) _____ : amt. & % reduced _____
l) _____ raise user fees (specify component, program, and amount of increase in each): _____
m) xx other (provide details): reduce office space, $15,000

/1 Arbitration of railroad grievances, $200,000 (10%); and delay in funding of factfinding panels under the Northeast Rail Service Act of 1981, $100,000 (100%).

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency NATIONAL MEDIATION BOARD

Estimated amount of reduction $718,000

a) XX delay procurements:
  I) ____ noncapital acquisitions: # delayed ____ total $ amount ____
  II) XX capital acquisitions: # delayed ____ total $ amount $20,000

b) XX restrict travel: total $ amount 60,000
  % of total travel budget 11%

c) ____ restrict training: total $ amount ____
  % of total training budget ____.

d) XX freeze hiring: duration in months 12
  if not affecting whole agency, specify the components affected ____
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 1 ($30,000)
    # & % of temporary employees reduced 0
    # & % of other employees reduced 0

e) ____ furlough: # of days ____
  # of people affected ____
  % of workforce involved ____

f) XX rif: # of people affected 3($45,000)
  % of workforce involved 30% (Chicago Office)

g) XX retire early: # of people affected 6 ($155,000)
  % of workforce involved 60% (Chicago Office)

h) ____ delay maintenance and repairs: # of projects ____
  total $ amount ____

i) XX close field locations (specify where): Transfer headquarters of the National Railroad Adjustment Board from Chicago to DC subject to amending the Railway Labor Act ($140,000)

j) XX reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) ____ inspections: amt. & % reduced ____
  II) ____ audits: amt. & % reduced ____
  III) ____ technical assistance: amt. & % reduced ____
  IV) XX other (specify) /1 : amt. & % reduced ____

k) ____ reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) ____ grants: amt. & % reduced ____
  II) ____ loans: amt. & % reduced ____
  III) ____ other (specify) ____: amt. & % reduced ____

l) ____ raise user fees (specify component, program, and amount of increase in each): ____

m) XX other (provide details): reduce office space in Wash., DC $15,000.

/1 Arbitration of railroad grievances, $153,000 (7%); and delay in funding of factfinding panels under the Northeast Rail Service Act of 1981, $100,000 (100%).

National Railroad Passenger Corporation, 400 North Capitol St. NW, Washington, DC 20001 • (202) 383-3000

Amtrak

July 11, 1986

RECEIVED
JUL 1 4 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

The Honorable Jack Brooks
Chairman
Committee on Government Operations
House of Representatives
2157 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

I am replying to your request of June 26, 1986, concerning the impact of the Gramm-Rudman-Hollings legislation.

Pursuant to the Rail Passenger Service Act of 1970 Amtrak is organized and operates as a commercial corporation and keeps all its accounting records in accordance with generally accepted accounting practices.

Accordingly, we are unable to provide data that match the detail of your questionnaire.

However, I can address the impact of Gramm-Rudman-Hollings on Amtrak's ability to perform its assigned mission. Our FY 86 appropriation was reduced by $25 million. We allocated this reduction as follows:

	$ Million
Capital Projects	5.0
Maintenance of Equipment	12.0
Maintenance of Way	8.0
	$25.0

These reductions severely hamper our efforts [illegible] maintain the high level of performance that we hold as our objective.

I hope that this information will be useful to you.

Sincerely,

W. Graham Claytor, Jr.
President

AN EQUAL OPPORTUNITY EMPLOYER

NATIONAL SCIENCE FOUNDATION
WASHINGTON D C 20550

[illegible] 15 [illegible]

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[illegible] 1 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

Honorable Jack Brooks
Chairman, Committee on Government Operations
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Attached is our response to the questionnaire on various aspects of the Gramm-Rudman-Hollings legislation, which was enclosed with your June 26, 1986 letter to Mr. Erich Bloch, Director of the National Science Foundation. Our response follows the questionnaire's general format, along with amplification where necessary.

Mr. Joseph Kull (357-7835) should be contacted if there is any need for clarification.

Sincerely,

for Sandra D. Toye
Controller

Attachment

Questionnaire on Gramm-Rudman-Hollings Impact

1.

Acc. No.	Acc. Title	Reduction
49-0100-0-1-251	Research & Related Act.	$58.1M---4.3%
49-0200-0-1-251	U.S. Antarctic Program	5.0M---4.3%
49-0106-0-1-251	Science & Eng. Education	2.4M---4.3%
	Total.....	$65.5M 4.3%

2. None of the above accounts received additional funding. The entire $65.5M was sequestered. However, within the Research & Related Activities account there were limited reprogrammings for mathematics, ocean sciences, special science and technology personnel programs, and program development and management (PD&M or salaries and expenses).

3. National Science Foundation
a.-i. No actions were taken for these administrative activities because of a reprogramming within the Research and Related Activities account which restored funds almost to the requested level of the PD&M activity. Several procurements, including the procurement of a mainframe computer, were delayed.

   j. No actions to reduce service to the public.
   k. The following actions were taken to reduce benefits to the public:

      I. Grants (or contracts) were reduced as follows: Research & Related account--$57.5M or 4.5%; U.S. Antarctic Program--$5.0M or 4.3%; and, Science and Engineering Education--$1.2M or 2.1%.

      II. N.A.

      III. Science and Engineering Education: Cost of education allowance for Graduate and Minority Fellowships was reduced by $750/fellowship for 1500 fellowships. Reduction was $1.2M, or 2.1%.

   l.&m. N.A.

4. National Science Foundation
Estimated reduction @ 7.3%: $106.5M
a.-c. Capital and non-capital procurements, travel and training would be delayed and/or restricted; dollar values can not be determined at this time.

   d. A hiring freeze would probably be necessary, especially for non-scientific and engineering personnel, but the duration and percent of staff affected can not be determined at this time.

   e. No furloughs would be planned.

   f.-g. RIFs and early retirements are possible where program or operational activities are reduced or eliminated. The extent of staff affected can not be determined at this time.

h. Maintenance and repairs would be reduced where possible, although the impact can not be measured at this time.

i. N.A.

j. No reduction in service to the public, due to the nature of activities.

k. Reductions in benefits to the public would as follows:

I. Grants or contracts would be reduced as follows: Research & Related account--$89.2 or 6.9%; U.S. Antarctic Program--$8.0 or 7.3%; and, Science and Engineering Education (including graduate fellowships)--$3.9M or 7.3%.

II. & III. N.A.

l.&m. N.A.

5. National Science Foundation
Estimated reduction @ 11.8%: $172.1M
a.-c. Capital and non-capital procurements, travel and training would be delayed and/or restricted; dollar values can not be determined at this time.

d. A hiring freeze would probably be necessary, especially for non-scientific and engineering personnel, but the duration and percent of staff affected can not be determined at this time.

e. Furloughs might be required.

f.-g. RIFs and early retirements are possible where program or operational activities are reduced or eliminated. The extent of staff affected can not be determined at this time.

h. Maintenance and repairs would be reduced where possible, although the impact can not be measured at this time.

i. N.A.

j. No reduction in service to the public, due to the nature of activities.

k. Reductions in benefits to the public would as follows:

I. Grants or contracts would be reduced as follows: Research & Related account--$144.2M or 11.1%; U.S. Antarctic Program--$13.0M or 11.8%; and, Science and Engineering Education (including graduate fellowships)--$6.3M or 11.8%.

II. & III. N.A.

l.&m. N.A.

National Transportation Safety Board
Washington, D.C. 20594

Office of the Chairman

July 11, 1986

RECEIVED
JUL 11 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

Honorable Jack Brooks
Chairman
Committee on Government Operations
House of Representatives
Washington, D.C. 20515

Dear Chairman Brooks:

The following is in response to your letter dated June 26, 1986, requesting information on the impact of Gramm-Rudman-Hollings reductions for FY's 1986 and 1987. The items below pertain to the numbered questions in the questionnaire enclosed in your correspondence.

1. Below are the Board's accounts and the effects of the 1986 sequestration.

Salaries and Expenses	95-0310
Appropriated	$22,300,000
Sequestered	-$959,000
Percent Reduction	4.3%
Emergency Fund	95-0311
Appropriated	$-0-
Sequestered	$-0-
Percent Reduction	0%

2. No additional funding was appropriated, reprogrammed, or transferred to offset the above reductions.

3. As a result of the sequestration in FY 1986, the Board's budget was reduced by $959,000. Our FTE level is being reduced from 338 to 324 and our year-end strength from about 338 to 306 permanent employees. The reduction in staff is being accomplished through attrition with additional cuts being necessary in controllable cost areas such as equipment, supplies, and travel.

   a. Thirty percent of all noncapital acquisitions such as supplies are being eliminated for a savings of $50,000. Procurements for capital equipment are being reduced by 50% for a savings of $370,000.

   b. Training and administrative travel is being restricted by $53,000. This represents 40% of the funds in the training and administrative travel account and 4% of our overall travel funds.

c. Training is being restricted due to the above travel limitations.

d. The Board has restricted hiring throughout the year such that attrition will reduce the Board's FTE level from 338 to 324 or 4%. End of year strength will be reduced from 338 to 306 permanent employees or 9%. All components of the Board will be affected and permanent, temporary, and other employees will all be reduced by approximately the same above percentage.

e. The Board's primary workload is accident investigations and safety recommendations. We expect a reduction between 4 and 9% in these areas.

All other items do not apply.

4. Assuming a 7.3% sequester in FY 1987, the Board's budget would be reduced by $1,560,000. The effects of this reduction would be significant. In order to prevent reductions in force or furloughs the Board would implement a complete hiring freeze as well as terminate all temporary employees. In addition, in order to avoid reductions in force of permanent employees the Board would eliminate 100% of all discretionary funds such as training, administrative travel, PCS moves, awards, overtime, and equipment. Expenditures for supplies, non-accident investigation travel, awards, overtime, and promotions would also be cut approximately in half.

a. Forty percent of all noncapital acquisitions such as supplies would be eliminated for a savings of $80,000. All procurements for capital equipment would be eliminated for a savings of $370,000.

b. All training, administrative, and PCS travel would be eliminated and other non-accident investigative travel reduced by 40% for a savings of $350,000.

c. All training tuitions would be eliminated for a savings of $170,000.

d. A full-year hiring freeze would be in effect which would result in a 6% FTE reduction in permanent employees (324 to 306). Our year-end strength would be reduced by 12% (306 to 270).

e. All temporary and other employees would be terminated for a savings of $190,000.

f. We would encourage all eligible employees to retire early. The effect of this policy would depend on what options are available at the time but we are anticipating some retirements as part of our estimated attrition rate of 3 employees per month.

g. Maintenance and repairs of our equipment, including our laboratory, would be kept to an absolute minimum.

h. The Board's primary workload is accident investigations and safety recommendations. We expect a reduction between 3 and 11% in these areas.

All other items do not apply.

5. Assuming an 11.8% sequester in FY 1987, the Board's budget would be reduced by $2,521,000. The effects of this reduction would be devastating. In order to minimize reductions in force the Board would implement a complete hiring freeze as well as terminate all temporary employees. In addition, the Board would eliminate 100% of all discretionary funds such as promotions, training, administrative travel, PCS moves, awards, overtime, and equipment. Even with these measures the Board would still have to RIF 20 permanent employees.

a. Forty percent of all noncapital acquisitions such as supplies would be eliminated for a savings of $80,000. All procurements for capital equipment would be eliminated for a savings of $370,000.

b. All training, administrative, and PCS travel would be eliminated and other non-accident investigative travel reduced by 40% for a savings of $350,000.

c. All training tuitions would be eliminated for a savings of $170,000.

d. In addition to RIFing 20 permanent employees, a full-year hiring freeze would be in effect which would result in a reduction in FTE from 324 to 286 or 12%. Permanent employees at year-end would be reduced from 306 to 250 employees or 18%.

e. All temporary and other employees would be terminated for a savings of $190,000.

f. We would encourage all eligible employees to retire early. The effect of this policy would depend on what options are available at the time but we are anticipating some retirements as part of our estimated attrition rate of 3 employees per month.

g. Maintenance and repairs of our equipment, including our laboratory, would be kept to an absolute minimum.

h. The Board's primary workload is accident investigations and safety recommendations. We expect recommendations and major reports to be reduced by about 18% and field investigation reports to be reduced by about a third.

All other items do not apply.

Sincerely,

Patricia A. Goldman

Patricia A. Goldman
Acting Chairman

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

JUL 12 1986

The Honorable Jack Brooks, Chairman
Committee on Government Operations
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Enclosed is the U.S. Nuclear Regulatory Commission response to your June 26, 1986 questionnaire concerning the impacts of the Gramm-Rudman-Hollings legislation.

Should you or your staff require additional clarification, please contact Mr. Ronald Scroggins, Controller on 492-4750.

Sincerely,

Victor Stello, Jr.
Executive Director for Operations

Enclosure:
As Stated

cc: Rep. Frank Horton

ENCLOSURE

Question 1 Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

Answer:

Account title: Salaries and Expenses
Account number: 31X0200
Dollar reduction: $17,974,000
Percent reduction: 4.3%

Question 2 Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

Answer:

The above budget account has not been provided with additional funding.

Question 3 Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Answer:

The primary impact of this funding reduction was in the area of technical support and administrative contracts. Attachment 1, the questionnaire, reflects those items requested. There are no reductions in employment nor furloughs, RIF's, early-out's or hiring freeze imposed, attributable to the Gramm-Rudman-Hollings (G-R-H) reduction. We do not believe that any benefits available to the public were reduced as a result of the G-R-H reduction. However, certain general services related to our regulatory mission were impacted. Attachment 2, a copy of our recent reprogramming request, addresses these general reductions.

Question 4 Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Answer:

A 7.3% reduction below our Fiscal Year 1986 funding would total about $29,200,000. Such a reduction will further exacerbate a very tight resource situation and impact our regulatory program significantly. A reduction of this magnitude has not yet been evaluated by either the Commission or staff. Therefore, we are unable to identify the impacts of such a reduction at this time.

Question 5 Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Answer:

An 11.8% reduction below our Fiscal Year 1986 funding would total about $47,200,000. Our response to question 4 would also apply here. ✓

ATTACHMENT 1

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Nuclear Regulatory Commission

a) x delay procurements:
  I) x noncapital acquisitions: # delayed 100
    total $ amount $16,000,000
  II) ____ capital acquisitions: # delayed ____
    total $ amount ____
b) None restrict travel: total $ amount ____
  % of total travel budget ____
c) x restrict training: total $ amount $140,000
  % of total training budget 7%
d) None freeze hiring: duration in months ____
  if not affecting whole agency, specify the components affected ____
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced ____
    # & % of temporary employees reduced ____
    # & % of other employees reduced ____
e) None furlough: # of days ____
  # of people affected ____
  % of workforce involved ____
f) None rif: # of people affected ____
  % of workforce involved ____
g) None retire early: # of people affected ____
  % of workforce involved ____
h) None delay maintenance and repairs: # of projects ____
  total $ amount ____
i) None close field locations (specify where): ____
j) * reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) ____ inspections: amt. & % reduced ____
  II) ____ audits: amt. & % reduced ____
  III) ____ technical assistance: amt. & % reduced ____
  IV) ____ other (specify) ____: amt. & % reduced ____
k) None reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) ____ grants: amt. & % reduced ____
  II) ____ loans: amt. & % reduced ____
  III) ____ other (specify) ____: amt. & % reduced ____
l) None raise user fees (specify component, program, and amount of increase in each): ____
m) None other (provide details): ____

*See Attachment 2

ATTACHMENT 2

CHAIRMAN

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

April 14, 1986

The Honorable Tom Bevill, Chairman
Subcommittee on Energy and Water Development
Committee on Appropriations
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The Nuclear Regulatory Commission is requesting approval to reprogram, adjusting the amounts sequestered by the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177).

The proposed reprogramming adjustments with explanation are enclosed. Your early consideration of the proposed reprogramming actions is appreciated.

Sincerely,

Thomas M. Roberts
Acting Chairman

Enclosure:
As stated

cc: Rep. John Myers

Identical ltrs sent to attached list.

Originated: RM:Shumway

Identical letters sent to:

The Honorable Edward J. Markey, Chairman
Subcommittee on Energy Conservation and Power
Committee on Energy and Commerce
United States House of Representatives
Washington, D.C. 20515

cc: Rep. Carlos Moorhead

The Honorable Mark O. Hatfield, Chairman
Subcommittee on Energy and Water Development
Committee on Appropriations
United States Senate
Washington, D.C. 20510

cc: Sen. J. Bennett Johnston

The Honorable Alan Simpson, Chairman
Subcommittee on Nuclear Regulation
Committee on Environment and Public Works
United States Senate
Washington, D.C. 20510

cc: Sen. Gary Hart

The Honorable Morris K. Udall, Chairman
Subcommittee on Energy and the Environment
Committee on Interior and Insular Affairs
United States House of Representatives
Washington, D.C. 20515

cc: Rep. Manuel Lujan

ENCLOSURE

U. S. NUCLEAR REGULATORY COMMISSION
SECOND FY 1986 REPROGRAMMING REQUEST
(Dollars in Thousands)

Program	Revised Base 12/31/85	P.L. 99-177[1] Sequestered Amounts	P.L. 99-177[1] Changes to Sequestered Amounts	P.L. 99-177[1] NRC Planned Reductions	Revised Base
Nuclear Reactor Regulation (NRR)	$ 83,760	$- 3,478	$+ 478	$- 3,000	$ 80,760
Nuclear Material Safety & Safeguards (NMSS)	40,970	- 1,705	- 35	- 1,740	39,230
Inspection and Enforcement (IE)	98,240	- 4,075	+ 1,565	- 2,510	95,730
Nuclear Regulatory Research (RES)	134,710	- 5,665	- 3,299	- 8,964	125,746
Program Technical Support (PTS)	30,290	- 1,261	+ 521	- 740	29,550
Program Direction and Administration (PDA)	43,342	- 1,790	+ 770	- 1,020	42,322
TOTAL	$431,312	$-17,974	$ -0-	$-17,974	$413,338

[1] The NRC received instructions from OMB (reference OMB Bulletin No. 86-7) that specified that uniform reductions (4.3 percent) against NRC's appropriation must be taken below the account level to be in compliance with the President's order implementing provisions of the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177). These uniform reductions are specified in the above column titled "Sequestered Amounts".

The uniform reductions required in implementing P.L. 99-177 did not provide for appropriate management evaluation of agency priorities. As such, to minimize the impact on high priority efforts, the NRC has conducted a review of its FY 1986 programs and priorities. The results of that review resulted in reductions to accommodate P.L. 99-177 as shown in the column titled "NRC Planned Reductions". The specific impacts that will result from these reductions are detailed on the following pages.

The NRC is requesting reprogramming approval to change the amounts sequestered under P.L. 99-177. The column titled "Changes to Sequestered Amounts" represents the amount to be reprogrammed. It is the net change from the amount sequestered to the amount of the planned reduction.

Explanation of "NRC Planned Reductions" to implement P.L. 99-177:

The major program impacts resulting from these reductions are as follows:

NRR

Reduce program support for conducting unanticipated generic safety studies for reactor license applicants and for reviewing operating reactor licensing actions. About 120 fewer licensing actions will be completed. Eliminate contract support for developing criteria and reviewing advanced reactor concepts in FY 1986.

NMSS

Eliminate the program support in developing the decommissioning policy for uranium mills thereby delaying NRC reviews of anticipated license amendment applications by about one year. Also, NRC's ability to identify and resolve potential long lead time high level waste repository licensing issues will be reduced.

IE

Reductions in program support will: delay by about six months the verification of licensee implementation of environmental qualification of equipment; reduce NRC's ability to monitor licensee's activities related to their vendor-suppliers; reduce NRC's Aerial Measurement Program by 25 percent; delay the procurement of replacement equipment for environmental sample analysis by about one year; reduce support to emergency preparedness exercises and annual inspections by 20 percent; and reduce support for incident response studies.

RES

Reductions in program support will result in several activities being cancelled or delayed. Activities being terminated are: (1) international workshops in the area of thermal hydraulic transients, resulting in delays in evaluating foreign test results; (2) work to evaluate survivability of electrical equipment during severe accidents, meaning that the NRC will not have an improved technical base for evaluating industry qualification plans; (3) work to evaluate non-linear effects of large earthquakes on plant structures, meaning that the uncertainty in seismic margin estimates at operating plants will not be reduced; (4) separate effects fission product release experiments, with the result that the existing uncertainties in implementing the Severe Accident Policy will remain; (5) guidance on the effectiveness of physical security systems; (6) the pilot-program for severe accident management in boiling water reactors, resulting in the suspension of efforts to assess the impact on accident management strategies; and (7) health effects and radiation protection work, resulting in a significant stretch-out of the revision of 10 CFR Part 20 and a greater reliance on EPA in such areas as residual activity for decommissioning.

Activities being delayed or reduced include: (1) reduce Semiscale Test Facility maintenance, resulting in no operational U. S. Integral Test Facility for about a nine month period; (2) defer work on Two-Phase Flow Analyses and delay the Nuclear Plant Analyzer Program; (3) slow the study of the fatigue problem in steels, delaying NRC from obtaining a more quantified measure of aging and certainty in the basis for vessel requalification; and (4) delay until FY 1987 the resolution, documentation, and understanding of the extent of the MEER seismic fault in Oklahoma.

FTS

Reduce program support for providing training assistance to the states and for conducting special studies of operational experience. This will result in canceling lower priority training courses and lower priority studies of operational experience. Also, some limited savings will be realized due to lower cost estimates for transcription service contracts.

PDA

Reductions to program support will result in fewer cost studies being performed on proposed NRC regulations.

Salaries and Benefits

The reduction to salaries and benefits will be accommodated by a reduction in staff years (FTE's) used in FY 1986. This reduction to salaries and benefits will not require a reduction-in-force or furlough of staff in FY 1986.

Administrative Support

The reduction in housekeeping costs will be accommodated by curtailing and/or delaying many activities such as; (1) reduce the number of copier machines and eliminate one copy center; (2) stretch out the security clearance process, (3) eliminate the purchase of most furniture; (4) reduce the services provided by the document control system; (5) reduce guard services, which will affect building access controls; (6) reduce training activities; (7) reduce ADP timesharing which will delay the development of the corporate data network; (8) postpone planned additional office space in the regional offices; and (9) eliminate the purchase of mechanized filing equipment. In addition, some savings have resulted from more current estimates of the cost of some purchases and activities.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
PROCUREMENT POLICY

JUL 8 1986

RECEIVED
[illegible] 1 [illegible] 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

Honorable Jack Brooks
Chairman
Committee on Government Operations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This is in reply to your letter of June 26, 1986, regarding the budgetary impact of the Gramm-Rudman-Hollings law on the Office of Federal Procurement Policy.

In response to question one, I am responsible for only one budget account: Office of Federal Procurement Policy (Salaries and Expenses). As a result of the February/March 1986 sequestration, a reduction of $70,000 or 4.3% was implemented.

With regard to question two, no additional funding was sought or obtained.

Detailed responses to questions three through five are attached.

I hope this data is responsive to your request. Please call me (395-7207) if you have questions or comments.

Sincerely,

David F. Baker
Acting Administrator

Enclosures

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Office of Federal Procurement Policy

a) ____ delay procurements:
  I) ____ noncapital acquisitions: # delayed ____
    total $ amount ____
  II) ____ capital acquisitions: # delayed ____
    total $ amount ____
b) X restrict travel: total $ amount 14,000
  % of total travel budget 55%
c) ____ restrict training: total $ amount ____
  % of total training budget ____
d) x freeze hiring: duration in months 8
  if not affecting whole agency, specify the components affected ____
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 2 - 9%
    # & % of temporary employees reduced 0
    # & % of other employees reduced 0
e) ____ furlough: # of days ____
  # of people affected ____
  % of workforce involved ____
f) ____ rif: # of people affected ____
  % of workforce involved ____
g) ____ retire early: # of people affected ____
  % of workforce involved ____
h) ____ delay maintenance and repairs: # of projects ____
  total $ amount ____
i) ____ close field locations
  (specify where): ____
j) ____ reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) ____ inspections: amt. & % reduced ____
  II) ____ audits: amt. & % reduced ____
  III) ____ technical assistance: amt. & % reduced ____
  IV) ____ other (specify) ____: amt. & % reduced ____
k) ____ reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) ____ grants: amt. & % reduced ____
  II) ____ loans: amt. & % reduced ____
  III) ____ other (specify) ____: amt. & % reduced ____
l) ____ raise user fees (specify component, program, and amount of increase in each): ____
m) ____ other (provide details): ____

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency__Office of Federal Procurement Policy

Estimated amount of reduction 112,493

a)_____delay procurements:
    I)_____noncapital acquisitions: # delayed__________
        total $ amount________
    II)_____capital acquisitions: # delayed__________
        total $ amount__________

b)_____restrict travel: total $ amount__________
    % of total travel budget__________

c)_____restrict training: total $ amount__________
    % of total training budget__________

d)__x__freeze hiring: duration in months 12
    if not affecting whole agency, specify the
        components affected ---
    resultant reduction in workforce
        because of attrition:
            # & % of permanent employees
                reduced 2 - 9%
            # & % of temporary employees
                reduced 0
            # & % of other employees
                reduced 0

e)_____furlough: # of days__________
    # of people affected__________
    % of workforce involved__________

f)_____rif: # of people affected__________
    % of workforce involved__________

g)_____retire early: # of people affected__________
    % of workforce involved__________

h)_____delay maintenance and repairs: # of projects__________
    total $ amount__________

i)_____close field locations
    (specify where):__________

j)_____reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I)_____inspections: amt. & % reduced__________
    II)_____audits: amt. & % reduced__________
    III)_____technical assistance: amt. & % reduced_______
    IV)_____other (specify)__________: amt. & % reduced_____

k)_____reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I)_____grants: amt. & % reduced__________
    II)_____loans: amt. & % reduced__________
    III)_____other (specify)__________: amt. & % reduced_____

l)_____raise user fees (specify component, program, and amount of increase in each):__________

m)_____other (provide details):__________

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which would reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Office of Federal Procurement Policy

Estimated amount of reduction 181,838

a)_____delay procurements:
  I)_____noncapital acquisitions: # delayed_____
    total $ amount_____
  II)_____capital acquisitions: # delayed_____
    total $ amount_____
b)_____restrict travel: total $ amount_____
  % of total travel budget_____
c) X restrict training: total $ amount 5,000
  % of total training budget 100%
d) X freeze hiring: duration in months 12
  if not affecting whole agency, specify the components affected --
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 4 - 18%
    # & % of temporary employees reduced 0
    # & % of other employees reduced 0
e)_____furlough: # of days_____
  # of people affected_____
  % of workforce involved_____
f)_____rif: # of people affected_____
  % of workforce involved_____
g)_____retire early: # of people affected_____
  % of workforce involved_____
h)_____delay maintenance and repairs: # of projects_____
  total $ amount_____
i)_____close field locations (specify where):_____
j)_____reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I)_____inspections: amt. & % reduced_____
  II)_____audits: amt. & % reduced_____
  III)_____technical assistance: amt. & % reduced_____
  IV)_____other (specify)_____: amt. & % reduced_____
k)_____reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I)_____grants: amt. & % reduced_____
  II)_____loans: amt. & % reduced_____
  III)_____other (specify)_____: amt. & % reduced_____
l)_____raise user fees (specify component, program, and amount of increase in each):_____
m)_____other (provide details):_____

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

RECEIVED
JUL 22 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

JUL 14 1986

JUL 21 1986

Honorable Jack Brooks
U.S. House of Representatives
Washington, D.C. 20515

Dear Jack:

The Office of Management and Budget has received and completed the Committee on Government Operations' questionnaire on the impact of Gramm-Rudman-Hollings. Our response is enclosed.

If there are any questions regarding OMB's response to the inquiry, please contact Mr. Darrell Johnson, Assistant Director for Administration, at 395-7250. Please do not hestitate to contact me whenever we may be of assistance.

Sincerely yours,

James C. Miller III
Director

Enclosure

RESPONSES TO QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

Question 1

For FY 1986, the Office of Management and Budget (OMB) requested a budget appropriation of $38,430,000 inclusive of the President's proposed pay cut. Congressional action reduced OMB's budget request by $1,131,000 or to an appropriation level of $37,299,000, contained in the Continuing Resolution approved in December. The Gramm-Rudman-Hollings (G-R-H) sequester required OMB to take an additional cut of 4.3%; thus reducing OMB's budget authority to $35,695,143. The total cut to OMB's FY 1986 request was $2,735,000 or 7.1%.

Question 2

None.

Question 3

Due to the fact that the amount of the sequester became known at approximately the same time as OMB received its actual FY 1986 appropriation, no effort was made to separately treat the effects of the sequester and the cut imposed in the Continuing Resolution. Therefore, the figures reflected herein are based upon the total FY 1986 cut of 7.1%.

Department/agency Office of Management and Budget

a) ____ delay procurements:
  I) ____ noncapital acquisitions: # delayed *
    total $ amount $204,000
  II) ____ capital acquisitions: # delayed *
    total $ amount 1,100,000
b) ____ restrict travel: total $ amount $200,000
  % of total travel budget 58%
c) ____ restrict training: total $ amount $40,000
  % of total training budget 50%
d) ____ freeze hiring: duration in months 8 months
  if not affecting whole agency, specify the components affected ____
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced 55 9.3%
    # & % of temporary employees reduced 13 39.4%
    # & % of other employees reduced ____ ____

* We cannot identify the specific projects affected by this cut.

23338

e) n/a furlough: # of days__________
# of people affected__________
% of workforce involved__________
f) n/a rif: # of people affected__________
% of workforce involved__________
g)_____retire early: # of people affected__________
% of workforce involved__________
h)_____delay maintenance and repairs: # of projects *
total $ amount $50,000
i) n/a close field locations
(specify where):____________________
j) n/a reduce service to the public (specify component and program and give amount and percent of reduction in each):
 I)_____inspections: amt. & % reduced__________
 II)_____audits: amt. & % reduced__________
 III)_____technical assistance: amt. & % reduced__________
 IV)_____other (specify)__________: amt. & % reduced_____
k) n/a reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
 I)_____grants: amt. & % reduced__________
 II)_____loans: amt. & % reduced__________
 III)_____other (specify)__________: amt. & % reduced_____
l) n/a raise user fees (specify component, program, and amount of increase in each):____________________
m)_____other (provide details):____________________

Question 4

In meeting any FY 1987 sequester, OMB would follow the same guidance it has issued to other agencies to minimize the impact of the sequester on the civilian workforce and to absorb the cuts in a manner generally consistent with good management practice. To respond to your request, we have made a number of assumptions about the agency's needs for new equipment, etc., to carry out its mission. These assumptions allow us to project one possible means of reaching the spending targets assumed in the question.

Specifically, we have assumed:

1) delayed acquisition of capital and non-capital items depending upon attrition
2) no discretionary spending--travel, training, purchases
3) 12 month hiring freeze resulting in
    a) attrition of 80 permanent employees--all positions to remain vacant
    b) attrition of 10 temporary employees--all positions to remain vacant

* We cannot identify the specific projects affected by this cut.

4) early retirement for about half or 23 of our eligible employees

5) delay of maintenance and repairs depending upon attrition

6) possible implementation of a furlough for OMB's entire staff for as many as 5 days--implemented if we do not have the anticipted attrition and the expected number of early retirements

Department/agency Office of Management and Budget

Estimated amount of reduction $ 2,605,745
FY 1987 Operational Level $33,089,398

a) _____ delay procurements:
I) _____ noncapital acquisitions: # delayed 1/ total $ amount _____
II) _____ capital acquisitions: # delayed 1/ total $ amount _____
b) _____ restrict travel: total $ amount $145,000 % of total travel budget 100%
c) _____ restrict training: total $ amount $40,000 % of total training budget _____
d) _____ freeze hiring: duration in months 12
if not affecting whole agency, specify the components affected _____
resultant reduction in workforce because of attrition:
& % of permanent employees reduced 80 13.8%
& % of temporary employees reduced 10 30.3%
& % of other employees reduced -
e) 2/ furlough: # of days 5
# of people affected 520
% of workforce involved 100%
f) _____ rif: # of people affected -
% of workforce involved _____
g) _____ retire early: # of people affected 46 3/
% of workforce involved 7.8%
h) _____ delay maintenance and repairs: # of projects 4/
total $ amount _____
i) n/a close field locations (specify where): _____
j) n/a reduce service to the public (specify component and program and give amount and percent of reduction in each):
I) _____ inspections: amt. & % reduced _____
II) _____ audits: amt. & % reduced _____
III) _____ technical assistance: amt. & % reduced _____
IV) _____ other (specify) _____: amt. & % reduced _____
k) n/a reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
I) _____ grants: amt. & % reduced _____
II) _____ loans: amt. & % reduced _____
III) _____ other (specify) _____: amt. & % reduced _____
l) n/a raise user fees (specify component, program, and amount of increase in each): _____
m) _____ other (provide details): _____

1/ Acquisitions of capital and non-capital items would be delayed depending upon attrition.
2/ This phase would only be implemented if OMB did not have the anticipated attrition and early retirement.
3/ However, we assume that only half or 23 employees seek the early retirement option.
4/ Maintenance and repairs would be delayed depending upon attrition.

23338

Question 5

In order to reach the spending targets proposed in this question, we have made the following assumptions as to a possible course of action to be taken:

1) delayed acquisition of capital and non-capital items depending upon attrition

2) no discretionary spending--travel, training, purchases

3) 12 month hiring freeze resulting in

    a) attrition of 80 permanent employees--all positions to remain vacant;

    b) attrition of 10 temporary employees--all positions to remain vacant;

4) early retirement for about half or 23 of our eligible employees

5) delay maintenance and repairs depending upon attrition

6) implementation of a furlough of OMB's entire staff for as many as 21 days; the number of days would vary depending upon actual attrition and the number of early retirements

7) possible implementation of a rif in place of one-half or 11 days of the furlough process

Department/agency Office of Management and Budget

Estimated amount of reduction $ 4,212,027
FY 1987 Operational Level $31,483,116

a)_____delay procurements:
    I)_____noncapital acquisitions: # delayed 5/
        total $ amount_______
    II)_____capital acquisitions: # delayed 5/
        total $ amount_______
b)_____restrict travel: total $ amount $145,000
    % of total travel budget 100%
c)_____restrict training: total $ amount $40,000
    % of total training budget 100%
d)_____freeze hiring: duration in months 12
    if not affecting whole agency, specify the components affected_______
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced 80 13.8%
        # & % of temporary employees reduced 10 30.3%
        # & % of other employees reduced -

5/ Acquistions of capital and non-capital items would be delayed depending upon attrition.

e) 6/ furlough: # of days 21
# of people affected 520
% of workforce involved 100%
f) 8/ rif: # of people affected 50
% of workforce involved 8.4%
g) _____ retire early: # of people affected 46 7/
% of workforce involved 7.8%
h) _____ delay maintenance and repairs: # of projects 9/
total $ amount _____
i) n/a close field locations
(specify where): _____
j) n/a reduce service to the public (specify component and program and give amount and percent of reduction in each):
I) _____ inspections: amt. & % reduced _____
II) _____ audits: amt. & % reduced _____
III) _____ technical assistance: amt. & % reduced _____
IV) _____ other (specify) _____ ; amt. & % reduced _____
k) n/a reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
I) _____ grants: amt. & % reduced _____
II) _____ loans: amt. & % reduced _____
III) _____ other (specify) _____ ; amt. & % reduced _____
l) n/a raise user fees (specify component, program, and amount of increase in each): _____
m) _____ other (provide details): _____

6/ This phase would be implemented in addition to the early retirements and anticipated attrition. The number of days, however, would vary between 16 and 21 days depending upon attrition and the number of employees to seek early retirement.

7/ Assumes that only half or 23 employees seek the early retirement option.

8/ Assumes offsetting 11 days of furlough. Also includes severance pay and unemployment for rif employees.

9/ Maintenance and repairs would be delayed depending upon attrition.

UNITED STATES
OFFICE OF PERSONNEL MANAGEMENT
WASHINGTON, DC 20415

Office of the Director

July 22, 1986

RECEIVED
JUL 22 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

Honorable Jack Brooks
Chairman, Committee on Government Operations
House of Representatives
2157 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

Enclosed is our response to your questions on the impact of P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985.

We are consolidating our regional offices to more efficiently meet our mission requirements. Through this process, we expect to generate savings in our S&E appropriated functions which will partially absorb future budget reductions. Because of the lead time needed for the consolidation, most of these savings will not be realized until after FY 87. Cuts in the amount suggested by your questionnaire would require additional management actions described in this response.

However, for the Health Benefits program and for the administration of the retirement and insurance programs reductions of the magnitude suggested would result in a major disruption of the management of these programs and of the services they provide. The enclosed comments respond to our concerns in these areas in more detail.

If you have additional questions, you may contact Mr. Jack Prebis, our Assistant Director for Budget and Management, on 632-6161.

Sincerely,

Constance Horner

Constance Horner
Director

Enclosures

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

OFFICE OF PERSONNEL MANAGEMENT

1 - The Office of Personnel Management's budget accounts are as follows:

- Salaries and Expenses (24-0100-0-1-805) $6,624,000, 4.3% including Limitation on the Transfer from Trust Funds for Administrative Expenses $2,331,000, 4.3% outlays for which are displayed in E, F, G, and H below.
- Government Payment for Annuitants, Employees Health Benefits (24-0206-0-1-551) $69,065,000, 4.3% in BA 56,000,000, 3.9% in outlays.
- Payment to the Civil Service Retirement and Disability Fund (24-0200-0-1-805) exempt.
- Revolving Fund (24-4571-0-4-805) $59,000, 4.3% of payments from offsetting collection from non-Federal sources.
- Civil Service Retirement and Disability Fund (24-8135-0-7-602) $536,714 from elimination of January 1986 COLA; 2.1% of outlays; and $1,896,000 for administrative transfer.
- Employees Health Benefits Fund (24-8440-2-8-551) +$56,000,000 and + 7.3% in outlays; and, $385,000 for administrative transfer.
- Employee Life Insurance Fund (24-8424-0-8-602) $44,000 for administrative transfer.
- Retired Employees Health Benefits Fund (24-8445-0-8-551) $6,000 for administrative transfer.

2 - Within the Salaries and Expenses account, the Limitation on the Transfers from Trust Funds was increased by a $2,000,000 supplemental. This increase is to fund work required by the new Federal Employees' Retirement System Act of 1986.

Answers to Question 3

Department/agency Office of Personnel Management

a)_____delay procurements:
I)_____noncapital acquisitions: # delayed_____
total $ amount_____
II)_____capital acquisitions: # delayed 2
total $ amount $400,000

b)_____restrict travel: total $ amount $267,000
% of total travel budget 21% (Excludes Voting Rights)

c)_____restrict training: total $ amount $158,000
% of total training budget 28%

d)_____freeze hiring: duration in months 5 1/2 mos. to date
if not affecting whole agency, specify the components affected S&E Account
resultant reduction in workforce because of attrition: Thru 5/30/86
& % of permanent employees reduced 222 and 4.6%
& % of temporary employees reduced N/A
& % of other employees reduced 50 and 5.2%

e)_____furlough: # of days N/A
# of people affected_____
% of workforce involved_____

f)_____rif: # of people affected N/A
% of workforce involved_____

g)_____retire early: # of people affected N/A
% of workforce involved_____

h)_____delay maintenance and repairs: # of projects_____
total $ amount_____

i)_____close field locations
(specify where): (See Attachment)

j)_____reduce service to the public (specify component and program and give amount and percent of reduction in each):
I)_____inspections: amt. & % reduced None
II)_____audits: amt. & % reduced None
III)_____technical assistance: amt. & % reduced None
IV)_____other (specify) None : amt. & % reduced_____

k) N/A reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
I)_____grants: amt. & % reduced_____
II)_____loans: amt. & % reduced_____
III)_____other (specify)_____: amt. & % reduced_____

l) N/A raise user fees (specify component, program, and amount of increase in each): N/A

m)_____other (provide details):_____

3D. The current hiring freeze contains provisions for granting exceptions for critical positions or unusual circumstances.

3I. We have initiated an action to consolidate our field structure from 10 to 5 regions by October 1, 1987. Boston, New York, St. Louis, Denver and Seattle are the regions to be consolidated. By phasing this plan in over 18 months we will minimize adverse impact on our employees through aggressive placement and relocation programs. This decision was made several months ago as part of the agency's management improvement plan.

Entitlements

Note: In the entitlement fund accounts, actions taken to accommodate reductions in funding resulting from sequestration do not fall into the categories listed on the questionnaire. The following information is therefore provided:

Government Payment for Annuitants, EHB

Total obligations, budget authority and outlays have been reduced as a result of sequestration. An offsetting increase, however, occurs in the EHB fund to finance the actual cost of annuitants' health benefits which OPM is statutorily and contractually required to pay.

Employees Health Benefits Fund

Total obligations are reduced only by the amount of resources sequestered for the administration of the fund ($385). The line item for government contributions for annuitants is increased to account for the reduction in the payment account. These funds are drawn from the unobligated balance otherwise available at the end of the fiscal year.

Answers to Question 4

Department/agency Office of Personnel Management

Estimated amount of reduction $10.9 million in S&E Account

a)_____delay procurements:
I)_____noncapital acquisitions: # delayed_____
total $ amount_____
II)_____capital acquisitions: # delayed All
total $ amount $800,000
b)_____restrict travel: total $ amount $100 000 (Excludes Voting Rights
% of total travel budget 10%
c)_____restrict training: total $ amount $200,000
% of total training budget 40%
d)_____freeze hiring: duration in months 12 (See Attachment)
if not affecting whole agency, specify the components affected S&E Account
resultant reduction in workforce because of attrition:
& % of permanent employees reduced 280 and 6.2%
& % of temporary employees reduced 20 and 13%
& % of other employees reduced 20 and 2.2%
e)_____furlough: # of days N/A
# of people affected_____
% of workforce involved_____
f)_____rif: # of people affected N/A
% of workforce involved_____
g)_____retire early: # of people affected N/A
% of workforce involved_____
h)_____delay maintenance and repairs: # of projects N/A
total $ amount_____
i)_____close field locations (specify where): (See Attachment)
j)_____reduce service to the public (specify component and program and give amount and percent of reduction in each):
I)_____inspections: amt. & % reduced None
II)_____audits: amt. & % reduced None
III)_____technical assistance: amt. & % reduced None
IV)_____other (specify) None : amt. & % reduced_____
k)_____reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
I)_____grants: amt. & % reduced N/A
II)_____loans: amt. & % reduced N/A
III)_____other (specify) N/A : amt. & % reduced_____
l)_____raise user fees (specify component, program, and amount of increase in each): N/A
m)_____other (provide details): N/A

4 - A reduction of 7.3% would reduce our S&E account by $10.9 million, of which $3.9 million would be transfer authority. This level would require a cut of approximately 320 people. A priority listing of agency functions is currently being reviewed. Based on that review, those functions in the lowest priority would be eliminated.

4D. A hiring freeze would have provisions for exceptions on a case by case basis.

4E. At this time, we think we could absorb the reduction in question without furloughing, RIFing or offering "early out" retirement. However, any of these management actions might become necessary to avoid a violation of the Antideficiency Act.

4I. As noted earlier, we are consolidating our regions and phasing out the Boston, New York, St. Louis, Denver and Seattle offices. The consolidation will be completed by October 1, 1987. This action, taken to save overhead and administrative costs, was begun prior to the FY 86 G-R-H sequestrations.

Transfers from Trust Funds for Administrative Expense (24-0100-0-1-805)

Question #4

A 7.3% reduction to our FY 1986 funding level (after the Gramm-Rudman-Hollings sequestration), produces an operating level that is insufficient to meet the Retirement and Insurance Group's statutory responsibilities in effect prior to June 1986, much less those imposed by the new Federal Employees Retirement System (FERS). While FERS implementation strategy is still being developed, it is certain that the provisions of this new legislation will require a significantly increased funding level as opposed to one that has been substantially reduced.

The Retirement and Insurance Group does not perform discretionary activities which could be eliminated to realize a 7.3% resource reduction. The discretionary functions which are performed, e.g., the Group's program integrity, quality assurance, matching and debt collection activities, generate substantial outlay savings to the Retirement Fund and are highly desirable. They could, however, be eliminated inasmuch as entitlement outlays are exempt from GRH reductions. After all discretionary activities were eliminated, an additional reduction of $1.5 million would have to be obtained. It is conceivable that this reduction could be realized by a permanent hiring freeze which would reduce the level of retirement and insurance services provided to Federal employees and the public. If attrition patterns failed to produce needed savings furlough and RIF procedures would be employed.

Services which would be reduced include the following:

- Processing claims for retirement - Applicants for retirement benefits could wait three months or more for the final adjudication of their retirement claim. We would attempt to minimize instances of genuine financial hardship with interim, estimated calculations. However, many complaints would be received from the 160,000 individuals who file such claims each year. There would also be numerous instances in which interim payments will not be possible or will vary significantly from the earned retirement benefit.
- Processing claims for refunds - Separating employees receive refunds of their retirement contributions within five to six weeks, these times would lengthen significantly, producing service complaints.
- Servicing annuity accounts - The annuity roll consists of over two million individual accounts. Services would be diminished in such areas as effecting changes of address, processing allotments, tax withholding and health benefits enrollment change requests, answering account inquiries, and effecting periodic adjustments.
- Answering inquiries - Reductions in services invariably produce inquiries and complaints about the status of requested or expected actions. With reduced staff levels, response times for customary inquiries will degrade and this situation will be aggravated by the "repeat correspondence" attributable to diminished service levels. Both Congressional correspondence, which can be expected to increase dramatically, and regular inquiries will be affected.
- Representing the entitlement programs before the Merit Systems Protection Board (MSPB) - Applicants who are denied any part of a desired benefit usually request that their claim be reconsidered and frequently appeal to MSPB. The scope and depth of reconsideration decision documents would be reduced as would briefs filed before MSPB. This could result in an increased rate of MSPB appeals as well as reversals by MSPB with attendant entitlement outlays.

Question #4:

Assuming a reduction of 7.3 percent below FY 86 levels, the entitlement accounts would be affected in FY 1987 as follows:

Budget Account		FY 1987 - 7.3% Reduction ($000)		Percent of Reduction
Title	Account Number			
Government Payment for Annuitants, Employees Health Benefits	24-0206-0-1-551	BA Outlays	-112,208 N/A	-7.3%
Employees Health Benefits Fund	24-8440-0-8-551	Outlays	- 625	-7.3%
Employees Life Insurance Fund	24-8424-0-8-602	Outlays	- 72	-7.3%
Retired Employees Health Benefits Fund	24-8445-0-8-551	Outlays	- 9	-7.3%
Civil Service Retirement & Disability Fund	24-8135-0-7-602	Outlays	-3,080 -159,787	-7.3% -1.0%
Payment to Civil Service Retirement & Disability Fund	24-0200-0-1-805		Exempt	-

Actions required to accommodate these reductions are:

Government Payment for Annuitants, EHB

Reduce budget authority with a subsequent decrease in the unobligated balance projected for the end of the year. Outlays in this account reflect OPM's statutory responsibility for financing the cost of the government's share of annuitants' health benefits and, therefore, cannot be reduced.

Employees Health Benefits Fund

Reduce administrative expenses ($625).

Life Insurance Fund

Reduce administrative expenses. ($72)

Retired Employees Health Benefits Fund

Reduce administrative expenses. ($9)

Civil Service Retirement & Disability Fund

Reduce administrative expenses ($3,080). Reduce program outlays by the amount of savings resulting from eliminating the January 1986 COLA ($159,787).

Answers to Question 5

Department/agency Office of Personnel Management

Estimated amount of reduction $17.0 million in S&E Account

a)_____delay procurements:
I)_____noncapital acquisitions: # delayed_____
total $ amount_____
II)_____capital acquisitions: # delayed All
total $ amount $800,000
b)_____restrict travel: total $ amount $200,000 (Excludes Voting Rights
% of total travel budget 20%
c)_____restrict training: total $ amount $250,000
% of total training budget 50%
d)_____freeze hiring: duration in months 12 (See Attachment)
if not affecting whole agency, specify the
components affected S&E Account
resultant reduction in workforce
because of attrition:
& % of permanent employees
reduced 400 and 8.9%
& % of temporary employees
reduced 30 and 20%
& % of other employees
reduced 30 and 3.3%
e)_____furlough: # of days 5
# of people affected 3,000
% of workforce involved 60%
f)_____rif: # of people affected (See Attachment)
% of workforce involved_____
g)_____retire early: # of people affected (See Attachment)
% of workforce involved As opportunity occurs
h)_____delay maintenance and repairs: # of projects $75,000
total $ amount_____
i)_____close field locations
(specify where): (As previously stated)
j)_____reduce service to the public (specify component and
program and give amount and percent of reduction in
each):
I)_____inspections: amt. & % reduced None
II)_____audits: amt. & % reduced (See Attachment)
III)_____technical assistance: amt. & % reduced None
IV)_____other (specify) See Attachment amt. & % reduced_____
k)_____reduce benefits available to the public (specify component
and program and give amount and percent of reduction
in each):
I)_____grants: amt. & % reduced N/A
II)_____loans: amt. & % reduced N/A
III)_____other (specify) N/A : amt. & % reduced_____
l)_____raise user fees (specify component, program, and amount
of increase in each): N/A
m)_____other (provide details): N/A

5 - A reduction of this magnitude (11.8%) would affect agency operations and services. Backlogs would grow, agency and public complaints would increase and we would be forced to implement a furlough of some duration. If attrition did not occur at the required rate a RIF would be necessary. All capital acquisitions would be deferred along with substantial reductions in printing, supplies, travel, training and other similar type spending.

5F. As stated above, a RIF would have to be considered. Implementation would depend on attrition rates experienced over the next four months.

5G. We would submit a request for early retirement authority, if we met the requirements, to assist in avoiding a RIF. We have no estimate of how many personnel would elect this option if obtained.

5J. Service would deteriorate in both our Career Entry and Retirement and Insurance programs. Backlogs would grow, response time would lengthen and inquiries would increase (adding to the workload and delays). Although automation has increased our productivity in these areas, further system enhancements could not be developed due to lack of funds. In addition, the FEHB carrier audit function would be eliminated.

Question #5:

Assuming a reduction of 11.8 percent below FY 86 levels, the entitlement accounts would be affected in FY 1987 as follows:

Budget Account		FY 1987 - 11.8% Reduction ($000)		Percent of Reduction
Title	Account Number			
Government Payment for Annuitants, Employees Health Benefits	24-0206-0-1-551	BA Outlays	-181,378 N/A	-11.8%
Employees Health Benefits Fund	24-8440-0-8-551	Outlays	- 1,010	-11.8%
Employees Life Insurance Fund	24-8424-0-8-602	Outlays	-116	-11.8%
Retired Employees Health Benefits Fund	24-8445-0-8-551	Outlays	- 15	-11.8%
Civil Service Retirement & Disability Fund	24-8135-0-7-602	Outlays	-4,979 -159,787	-11.8% - 1.0%
Payment to Civil Service Retirement & Disability Fund	24-0200-0-1-805	Exempt		-

Actions required to accoummodate these reductions are:

Government Payment for Annuitants, EHB

Reduce budget authority with a subsequent decrease in the unobligated balance projected for the end of the year. Outlays in this account reflect OPM's statutory responsibility for financing the cost of the government's share of annuitants' health benefits and, therefore, cannot be reduced.

Employees Health Benefits Fund

Reduce administrative expenses ($1,010).

Life Insurance Fund

Reduce administrative expenses. ($116)

Retired Employees Health Benefits Fund

Reduce administrative expenses. ($15)

Civil Service Retirement & Disability Fund

Reduce administrative expenses ($4,979). Reduce program outlays by the amount of savings resulting from eliminating the January 1986 COLA (159,787).

OVERSEAS PRIVATE INVESTMENT CORPORATION
WASHINGTON, D.C. 20527, U.S.A.

OFFICE OF THE
PRESIDENT

RECEIVED
[illegible] 2 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

July 21, 1986

The Honorable Jack Brooks
Chairman
Committee on Government Operations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Please find enclosed the questionnaire which you requested us to complete. The Comptroller General ruled that the OPIC administrative expense budget was exempt from Gramm-Rudman-Hollings (GRH) for FY 1986 due to a technical error by the Office of Management and Budget (OMB). The General Accounting Office (GAO) determined that the GRH across-the-board reductions applied to budget authority and offsetting collections, but not to unobligated administrative expenses. OMB had classified OPIC's administrative expense budget in the third and ineligible category. The GAO ruling is enclosed as Attachment 1.

This exemption did not include OPIC's direct investment fund and investment guaranty authority which were reduced from $14.25 and $142.5 million to $13.6 and $136.4 million, respectively.

For FY 1987, OMB has proposed a reduction of OPIC's administrative expense budget by 19% from $12.4 to $10.0 million. OPIC has developed a plan to execute its legislatively mandated programs within these budget constraints. The reductions have been limited to termination of non-essential contractual services, marketing programs and related personnel. Because OPIC has developed a plan with a 19% reduction that does not materially affect its core insurance and finance programs, reductions of a lesser magnitude, such as the 7.3% and 11.8% GRH reductions proposed in your questionnaire, would likewise not affect OPIC's core programs.

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If OPIC's direct loan fund and investment guaranty authority were reduced by 7.3% or 11.8%, OPIC would be required to reduce these programs from $13.6 and $136.4 million to $12.6 and $126.4 million or $12.0 and $120.3 million, respectively.

We assume that GRH reductions would be subtracted from OPIC's FY 1986 administrative expense budget. We have not received definitive guidance from OMB to confirm this. If the GRH reductions were to be subtracted from the President's proposed FY 1987 budget, we would need to revise this form.

If your committee requires any additional information, please contact our Treasurer, Mr. Travis Dungan, at 457-7160.

Sincerely,

Craig A. Nalen

Attachment 1

Inclusion of Unobligated Balances in the Sequesterable Base

In a number of accounts both OMB & CBO have included within the sequesterable base administrative expenses financed by prior year unobligated balances. We have deleted these amounts from the sequesterable base and from the amounts to be sequestered, as shown in Table A-4.

Section 256(b) of the Act states that administrative expenses of Federal departments and agencies (including independent agencies) are subject to sequestration "without regard to any exemption, exception, limitation, or special rule" otherwise applicable.

We do not consider Section 256(b) to expand the categories of obligational authorities subject to reduction under a Presidential sequestration order. These categories are clearly delineated in the Act for non-defense accounts. They are: new budget authority, new loan guaranty commitments, new direct loan obligations, obligation limitations, and spending authority. Unobligated balances are not subject to sequestration in non-defense accounts.

OPIC
Questionnaire on Gramm-Rudman-Hollings Impact

Attachment 2

Budget accounts which were reduced under number 420-4030-X-3-151-A; 71-4030 include ($000):

o Direct Loan Limitation	613
o Guaranteed Loan Limitation	6,128

OPIC
Questionnaire on Gramm-Rudman-Hollings Impact

Attachment 3

The 1987 budget reflects the following Administration policies: 1) a reduction in administrative expenses from $12.4 million to $10 million in FY 1987, and 2) a reduction in full time equivalent (FTE) personnel from 135 FTE in FY 1986 to 120 FTE in FY 1987.

In addition, OPIC has terminated its marketing and other non-essential services, including its investment encouragement programs (Subsections 234(d) and (e) of the Overseas Private Investment Corporation Amendments Act of 1985).

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration. (See Attachment 2).

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding. (See Attachment 2)

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Overseas Private Investment Corporation

a) 0 delay procurements:
- I) noncapital acquisitions: # delayed ____ total $ amount ____
- II) capital acquisitions: # delayed ____ total $ amount ____

b) 0 restrict travel: total $ amount ____ % of total travel budget ____

c) 0 restrict training: total $ amount ____ % of total training budget ____

d) 0 freeze hiring: duration in months ____ if not affecting whole agency, specify the components affected ____ resultant reduction in workforce because of attrition: # & % of permanent employees reduced ____ # & % of temporary employees reduced ____ # & % of other employees reduced ____

e) 0 furlough: # of days ____ # of people affected ____ % of workforce involved ____

f) 0 rif: # of people affected ____ % of workforce involved ____

g) 0 retire early: # of people affected ____ % of workforce involved ____

h) 0 delay maintenance and repairs: # of projects ____ total $ amount ____

i) 0 close field locations (specify where): ____

j) 0 reduce service to the public (specify component and program and give amount and percent of reduction in each):
- I) inspections: amt. & % reduced ____
- II) audits: amt. & % reduced ____
- III) technical assistance: amt. & % reduced ____
- IV) other (specify) ____: amt. & % reduced ____

k) X reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
- I) grants: amt. & % reduced ____
- II) X loans: amt. & % reduced 613,000 or 4.3%
- III) X other (specify) investment guarantees amt. & % reduced 6,128,000 or 4.3%

l) 0 raise user fees (specify component, program, and amount of increase in each): ____

m) 0 other (provide details): ____

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Overseas Private Investment Corporation

Estimated amount of reduction $906,000.00

a) 0 delay procurements:
    I) ____noncapital acquisitions: # delayed____
        total $ amount____
    II) ____capital acquisitions: # delayed____
        total $ amount____

b) 0 restrict travel: total $ amount____
    % of total travel budget____

c) 0 restrict training: total $ amount____
    % of total training budget____

d) 0 freeze hiring: duration in months____
    if not affecting whole agency, specify the components affected____
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced____
        # & % of temporary employees reduced____
        # & % of other employees reduced____

e) ____furlough: # of days____
    # of people affected____
    % of workforce involved____

f) 0 rif: # of people affected____
    % of workforce involved____

g) 0 retire early: # of people affected____
    % of workforce involved____

h) 0 delay maintenance and repairs: # of projects____
    total $ amount____

i) 0 close field locations
    (specify where):____

j) 0 reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I) ____inspections: amt. & % reduced____
    II) ____audits: amt. & % reduced____
    III) ____technical assistance: amt. & % reduced____
    IV) ____other (specify)____: amt. & % reduced____

k) X reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I) ____grants: amt. & % reduced____
    II) X loans: amt. & % reduced 995,501 or 7.3%
    III) X other (specify) Investment Guarantees: amt. & % reduced 9,955,010 or 7.3%

l) 0 raise user fees (specify component, program, and amount of increase in each):____

m) X other (provide details): (See Attachment 3)

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Overseas Private Investment Corporation

Estimated amount of reduction $1,464,000.00

a) 0 delay procurements:
    I) ____ noncapital acquisitions: # delayed ____ total $ amount ____
    II) ____ capital acquisitions: # delayed ____ total $ amount ____
b) 0 restrict travel: total $ amount ____ % of total travel budget ____
c) 0 restrict training: total $ amount ____ % of total training budget ____
d) 0 freeze hiring: duration in months ____
    if not affecting whole agency, specify the components affected ____
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced ____
        # & % of temporary employees reduced ____
        # & % of other employees reduced ____
e) 0 furlough: # of days ____
    # of people affected ____
    % of workforce involved ____
f) 0 rif: # of people affected ____
    % of workforce involved ____
g) 0 retire early: # of people affected ____
    % of workforce involved ____
h) 0 delay maintenance and repairs: # of projects ____ total $ amount ____
i) 0 close field locations (specify where): ____
j) 0 reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I) ____ inspections: amt. & % reduced ____
    II) ____ audits: amt. & % reduced ____
    III) ____ technical assistance: amt. & % reduced ____
    IV) ____ other (specify) ____: amt. & % reduced ____
k) X reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I) ____ grants: amt. & % reduced ____
    II) X loans: amt. & % reduced 1,609,166 or 11.8%
    III) X other (specify) investment guarantees: amt. & % reduced 16,091,996 or 11.8%
l) 0 raise user fees (specify component, program, and amount of increase in each): ____
m) X other (provide details): (See Attachment 3)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

July 10, 1986

RECEIVED
JUL 11 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

The Honorable Jack Brooks
Chairman
Committee on Government Operations
Congress of the United States
House of Representatives
2157 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

This letter, and attachment, responds to your request of June 30, 1986, for information on the current and potential future impacts of Gramm-Rudman-Hollings (G-R-H) on the Securities and Exchange Commission. Due to the short time frame allowed for preparation of this response, it was impossible to solicit information from the SEC Commissioners or program managers. The attached material relating to 1987 thereby reflects across-the board impacts.

Before responding to your direct questions, there are two factors worthy of your attention which will affect the severity of the SEC's 1987 financial and program position notwithstanding the impacts of further G-R-H reductions. First, is the need to absorb a minimum $4,450,000 increase in unfunded costs, equivalent to 90 staff years. This impact is included in the attached analysis. Included are:

Absorption of at least 33% of any 1987 pay increase, as required in the Omnibus Reconciliation Act of 1985 -	$1,000,000
New Federal Employee Retirement System costs -	1,300,000
Unfunded inflation and rate increases -	1,000,000
Unfunded costs for mandatory within grade and merit pay compensation and benefit expenses -	650,000
Increased travel costs from the newly implemented lodgings-plus per diem rates -	500,000
TOTAL	$4,450,000

The second impact on the SEC's 1987 operations is the growing size of the agency's regulated universe:

> Since 1980 annual exchange volume is up 135 percent, the number of option turnover contracts has increased 140 percent, the number of broker-dealer branch offices has increased 108 percent and the number of registered representatives is up 78 percent.
>
> In the last three years the number of broker-dealer firms has increased 40 percent.

And, between 1985 and 1987, the number of investment companies is expected to increase 20 percent, and the number of investment advisers 54 percent.

Following are responses to your questions numbered 1 and 2. Responses to questions 3 through 5 are attached.

Question 1 - The SEC operates under a single annual appropriation for "salaries and expenses". Its current symbol number is 5060100. The 1986 appropriation was reduced $4,777,000 under Gramm-Rudman-Hollings, 4.3 percent from $111,100,000 to $106,323,000.

Question 2 - No further changes to 1986 funding are expected.

In the event any of the provided information needs clarification, I can be reached at (202)272-2150.

Sincerely,

Lawrence H. Haynes

Lawrence H. Haynes
Comptroller

SECURITIES AND EXCHANGE COMMISSION
RESPONSES TO BROOKS QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACTS
JULY 10, 1986

(The following responses are coded to agree with supplied worksheets)

	Question 3*	Question 4*	Question 5*
Amount of reduction -	$4,777,000	$12,216,000	$17,003,000
b) Restricted travel:			
$ amount -	100,000	100,000	150,000
% of travel budget -	3.8%	4%	6%
c) Restricted training:			
$ amount -	100,000	100,000	100,000
% of training budget -	33%	50%	50%
d) Hiring freeze:			
duration in months -	12	12	12
reduction of permanent employees - # reduced -	60	240	240
% reduced -	3%	11.5%	11.5%
f) RIF:			
# of people affected -	n/a	135	240
% of workforce -	n/a	6.9%	11.5%
j) Reduced service to the public:			
Filings reviewed or monitored - # reduced -	720	2,995	4,285
% reduced -	3%	13%	18.6%
Investigations closed -			
# reduced -	10	44	63
% reduced -	3%	13%	18.6%
Proceedings closed -			
# reduced -	10	42	63
% reduced -	3%	13%	18.6%
Inspections completed -			
# reduced -	51	304	434
% reduced -	2%	13%	18.6%

* QUESTION 3 - Requests 1986 Gramm-Rudman-Hollings (G-R-H) impacts.

QUESTION 4 - Requests potential 1987 G-R-H impacts of a 7.3 percent reduction from 1986 funding levels after sequestration.

QUESTION 5 - Requests potential 1987 G-R-H impacts of a 11.8 percent reduction from 1986 funding levels after sequestration.

Selective Service System
National Headquarters / Washington, D.C. 20435

OC:JL:sw

JUL 11 1986

RECEIVED
JUL 17 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

The Honorable Jack Brooks
Chairman
Committee on Government Operations
House of Representatives
2157 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Brooks:

Enclosed please find the completed questionnaire on the impact the Gramm-Rudman-Hollings law had on the Selective Service System in Fiscal Year 1986 and what the impact may be in Fiscal Year 1987. A government-wide sequestration of funds in Fiscal Year 1987 which reduces funding below the Fiscal Year 1986 level would seriously degrade the service the System provides to the general public. In addition, the fairness and equity of the registration program would be diminished due to increased registration shortfalls which would increase the draft vulnerability of those young men who do comply with the law and register.

If there are any questions concerning the responses to the questionnaire, please contact Mr. G. H. Banister, Controller on 724-1058.

Sincerely,

Wilfred L. Ebel

WILFRED L. EBEL
Acting Director

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Selective Service System

a) X delay procurements:
    I) X noncapital acquisitions: # delayed____ total $ amount 22,000
    II)____capital acquisitions: # delayed____ total $ amount____
b) X restrict travel: total $ amount 75,000 % of total travel budget 16%
c) X restrict training: total $ amount 12,000 % of total training budget 24%
d) X freeze hiring: duration in months 12 if not affecting whole agency, specify the components affected Reserve Force Officers ($142,00 resultant reduction in workforce because of attrition: # & % of permanent employees reduced____ # & % of temporary employees reduced____ # & % of other employees reduced 20 Reserve Force Officers - 3%
e) N/A furlough: # of days____ # of people affected____ % of workforce involved____
f) N/A rif: # of people affected____ % of workforce involved____
g) N/A retire early: # of people affected____ % of workforce involved____
h) N/A delay maintenance and repairs: # of projects____ total $ amount____
i) N/A close field locations (specify where):____
j) X reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I)____inspections: amt. & % reduced____
    II)____audits: amt. & % reduced____
    III)____technical assistance: amt. & % reduced____
    IV) X other (specify) reminder post card: amt. & % reduced 60,000 - 25%
k) N/A reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I)____grants: amt. & % reduced____
    II)____loans: amt. & % reduced____
    III)____other (specify)____: amt. & % reduced____
l) N/A raise user fees (specify component, program, and amount of increase in each):____
m) X other (provide details): See Attached

SELECTIVE SERVICE SYSTEM

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

QUESTION 1. Listing of Budget Accounts:

Salaries and Expenses (Account No. 9060400)

$000

	FY1986 Appropriation	FY1986 GRH	Reduction	
			Amount	Percentage
Budget Authority	$27,474	$26,128	$1,346	4.9%

QUESTION 2. No additional funding was provided.

QUESTION 3. Sub-question m - Other

1. Reduced Annual Training for Reserve Force Officers from 15 days per year to 13 days per year. Savings - $237,000.
2. Reduced Special Active Duty tours for Reserve Force Officers by 20%. Savings - $81,000.
3. Reduced Annual Training Conference for Reserve Force Officers from 5 days to 3 days and from the regional level to the state level. Savings - $178,000.
4. Increased Reserve Force Officers lapse rate. Savings - $61,000.
5. Reduced the Registration Improvement Program by 40%. Savings -$321,00
6. Curtailed the Board Member Training program. Savings $116,000.
7. Reduced overtime approximately 33%. Savings - $72,000.

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Selective Service System

Estimated amount of reduction $1,907,000

a) X delay procurements:
  I) x noncapital acquisitions: # delayed __________
    total $ amount 50,000 (75%)
  II) _____ capital acquisitions: # delayed __________
    total $ amount __________

b) X restrict travel: total $ amount 82,000
  % of total travel budget 25%

c) X restrict training: total $ amount 50,000
  % of total training budget 100%

d) x freeze hiring: duration in months 12
  if not affecting whole agency, specify the components affected __________
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced __________
    # & % of temporary employees reduced 16 - 84% ($231,000)
    # & % of other employees reduced __________

e) N/A furlough: # of days __________
  # of people affected __________
  % of workforce involved __________

f) X rif: # of people affected 10 ($152,000)
  % of workforce involved 3%

g) N/A retire early: # of people affected __________
  % of workforce involved __________

h) N/A delay maintenance and repairs: # of projects __________
  total $ amount __________

i) N/A close field locations (specify where): __________

j) X reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) _____ inspections: amt. & % reduced __________
  II) _____ audits: amt. & % reduced __________
  III) _____ technical assistance: amt. & % reduced __________
  IV) X other (specify) See Attached amt. & % reduced __________

k) N/A reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) _____ grants: amt. & % reduced __________
  II) _____ loans: amt. & % reduced __________
  III) _____ other (specify) __________: amt. & % reduced __________

l) N/A raise user fees (specify component, program, and amount of increase in each): __________

m) X other (provide details): See Attached

SELECTIVE SERVICE SYSTEM

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

QUESTION 4. Sub question j - Reduce Service to the Public

1. Eliminate all paid return postage for the Compliance Program. Savings - $130,000.
2. Eliminate all WATS (800) Telephone lines. Savings - $139,000.
3. Eliminate all reminder post cards to 18 year old men. Savings - $131,000.

QUESTION 4. Sub question m - Other

1. Eliminate entire Registration Improvement Program. Savings - $427,000.
2. Eliminate all Special Active Duty Tours for Reserve Force Officers. Savings - $427,000.
3. Eliminate formal Board Member Training. Savings - $187,000.
4. Eliminate all contract personnel. Savings - $50,000.
5. Eliminate all overtime. Savings - $72,000.

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency Selective Service System

Estimated amount of reduction $3,083,000

a) x delay procurements:
I) ____noncapital acquisitions: # delayed ________
total $ amount 50,000 (75%)
II) ____capital acquisitions: # delayed ________
total $ amount ________
b) X restrict travel: total $ amount 164,000
% of total travel budget 50%
c) X restrict training: total $ amount 50,000
% of total training budget 100%
d) x freeze hiring: duration in months 12
if not affecting whole agency, specify the components affected ________
resultant reduction in workforce because of attrition:
# & % of permanent employees reduced ________
# & % of temporary employees reduced 18 - 100% (274,000)
# & % of other employees reduced ________
e) x furlough: # of days 3,276 (13 days each, 252 employees)
# of people affected 252
% of workforce involved 97%
f) X rif: # of people affected 10 ($152,000)
% of workforce involved 1%
g) N/A retire early: # of people affected ________
% of workforce involved ________
h) N/A delay maintenance and repairs: # of projects ________
total $ amount ________
i) N/A close field locations
(specify where): ________
j) X reduce service to the public (specify component and program and give amount and percent of reduction in each):
I) ____inspections: amt. & % reduced ________
II) ____audits: amt. & % reduced ________
III) ____technical assistance: amt. & % reduced ________
IV) X other (specify) See Attached amt. & % reduced ____
k) N/A reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
I) ____grants: amt. & % reduced ________
II) ____loans: amt. & % reduced ________
III) ____other (specify) ________: amt. & % reduced ____
l) N/A raise user fees (specify component, program, and amount of increase in each): ________
m) X other (provide details): See Attached

SELECTIVE SERVICE SYSTEM

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

QUESTION 5. Sub-question j - Reduce Service to the Public

1. Eliminate all paid return postage for the Compliance Program. Savings - $130,000.
2. Eliminate all WATS (800) Telephone lines. Savings - $139,000.
3. Eliminate all reminder post cards tp 18 year old men. Savings - $131,000.

QUESTION 5. Sub-question m - Other

1. Reduce Inactive Duty Training for Reserve Officers (excludes National Guard Offices) from 48 drills per year to 30 paid drills per year. Savings $953,000.
2. Eliminate the Registration Improvement Program. Savings - $427,000.
3. Eliminate all Special Active Duty Tours for Reserve Force Officers. Savings - $232,000
4. Eliminate all overtime. Savings - $72,000.
5. Eliminate all contract personnel. Savings - $50,000

UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY
Washington, DC 20451

July 9, 1986

Dear Congressman Brooks:

Please find attached the U.S. Arms Control and Disarmament Agency's reply to your questionnaire concerning the implementation of the "Gramm-Rudman-Hollings" legislation.

If you have further questions you may reach me on 647-3708.

Sincerely,

William J Montgomery

William J. Montgomery
Administrative Director

The Honorable
Jack Brooks
House of Representatives

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

A. U.S. Arms Control & Disarmament Agency
Arms Control & Disarmament Activities
(9460100)

Original FY-86 Appropriation	$25,850,000	
Sequestration under P.L. 99-177	-1,112,000	or 4.3%
Revised FY-86 Appropriation	$24,738,000	

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

A. None

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency U.S. ARMS CONTROL AND DISARMAMENT AGENCY

a) ✓ delay procurements:
 I)_____noncapital acquisitions: # delayed_____
  total $ amount_____
 II) ✓ capital acquisitions: # delayed_____
  total $ amount 70,000
b) ✓ restrict travel: total $ amount 327,000
 % of total travel budget 14%
c)_____restrict training: total $ amount_____
 % of total training budget_____
d) ✓ freeze hiring: duration in months_____
 if not affecting whole agency, specify the components affected_____
 resultant reduction in workforce because of attrition:
  # & % of permanent employees reduced_____
  # & % of temporary employees reduced_____
  * # & % of other employees reduced Summer Hires 30,000
  Interpreters from State Dept. 200,000
e)_____furlough: # of days_____
 # of people affected_____
 % of workforce involved_____
f)_____rif: # of people affected_____
 % of workforce involved_____
g)_____retire early: # of people affected_____
 % of workforce involved_____
h)_____delay maintenance and repairs: # of projects_____
 total $ amount_____
i)_____close field locations (specify where):_____
j)_____reduce service to the public (specify component and program and give amount and percent of reduction in each):
 I)_____inspections: amt. & % reduced_____
 II)_____audits: amt. & % reduced_____
 III)_____technical assistance: amt. & % reduced_____
 IV)_____other (specify)_____: amt. & % reduced_____
k)_____reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
 I)_____grants: amt. & % reduced_____
 II)_____loans: amt. & % reduced_____
 III)_____other (specify)_____: amt. & % reduced_____
l)_____raise user fees (specify component, program, and amount of increase in each):_____
m) ✓ other (provide details): External Research $285,000
 Revised salary and benefits estimate $200,000.

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency U.S. Arms Control & Disarmament Agency

Estimated amount of reduction $1,806,000

a) ✓ delay procurements:
    I) _____ noncapital acquisitions: # delayed _____
        total $ amount _____
    II) ✓ capital acquisitions: # delayed _____
        total $ amount 250,000
b) ✓ restrict travel: total $ amount 306,000
    % of total travel budget 15%
c) _____ restrict training: total $ amount _____
    % of total training budget _____
d) ✓ freeze hiring: duration in months _____
    if not affecting whole agency, specify the components affected _____
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced _____
        # & % of temporary employees reduced _____
        * # & % of other employees reduced
            Summer Hires 30,000
            * Visiting Scholars 100,000
            overtime 50,000
            consultants 50,000
e) _____ furlough: # of days _____
    # of people affected _____
    % of workforce involved _____
f) _____ rif: # of people affected _____
    % of workforce involved _____
g) _____ retire early: # of people affected _____
    % of workforce involved _____
h) _____ delay maintenance and repairs: # of projects _____
    total $ amount _____
i) _____ close field locations (specify where): _____
j) _____ reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I) _____ inspections: amt. & % reduced _____
    II) _____ audits: amt. & % reduced _____
    III) _____ technical assistance: amt. & % reduced _____
    IV) _____ other (specify) _____: amt. & % reduced _____
k) _____ reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I) _____ grants: amt. & % reduced _____
    II) _____ loans: amt. & % reduced _____
    III) _____ other (specify) _____: amt. & % reduced _____
l) _____ raise user fees (specify component, program, and amount of increase in each): _____
m) ✓ other (provide details): External Research $900,000 (64%)
    reduce other miscellaneous supplies and equipment and contractual services $120,000.

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency U.S. Arms Control and Disarmament Agency

Estimated amount of reduction $2,919,000

a) ✓ delay procurements:
  I) ____noncapital acquisitions: # delayed____
    total $ amount____
  II) ✓ capital acquisitions: # delayed____
    total $ amount 400,000
b) ✓ restrict travel: total $ amount 369,000
  % of total travel budget 18%
c) ____restrict training: total $ amount____
  % of total training budget____
d) ✓ freeze hiring: duration in months____
  if not affecting whole agency, specify the components affected____
  resultant reduction in workforce because of attrition:
    # & % of permanent employees reduced____
    # & % of temporary employees reduced 200 (8 FTE, 33%)
    *# & % of other employees reduced Visiting Scholars 300,000 100%
      * Summers Hire 50,000
      Overtime 75,000
      Consultants 100,000
e) ____furlough: # of days____
  # of people affected____
  % of workforce involved____
f) ____rif: # of people affected____
  % of workforce involved____
g) ____retire early: # of people affected____
  % of workforce involved____
h) ____delay maintenance and repairs: # of projects____
  total $ amount____
i) ____close field locations (specify where):____
j) ____reduce service to the public (specify component and program and give amount and percent of reduction in each):
  I) ____inspections: amt. & % reduced____
  II) ____audits: amt. & % reduced____
  III) ____technical assistance: amt. & % reduced____
  IV) ____other (specify)____: amt. & % reduced____
k) ____reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
  I) ____grants: amt. & % reduced____
  II) ____loans: amt. & % reduced____
  III) ____other (specify)____: amt. & % reduced____
l) ____raise user fees (specify component, program, and amount of increase in each):____
m) ✓ other (provide details): External Research 1,100,000 (79%)
  Miscellaneous supplies and equipment, contractual services 325,000.

United States Information Agency

Washington, D.C. 20547

Office of the Director

USIA

JUL 15 [illegible]

Dear Mr. Chairman:

Your letter of June 26 asked for information relating to the effects of the Gramm-Rudman-Hollings balanced budget legislation on the United States Information Agency. The information is attached. Director Wick is out of the city, and has asked me to act in his stead.

We have been engaged in planning for possible reductions for 1987 for the past several months, so I have an idea of the damage that cuts of the size that are hypothesized for 1987 would do to USIA. Reductions of 7.3 and 11.8 percent would translate into reductions of $183 million (19 percent) and $221 million (23 percent), respectively, from the President's planned 1987 level. While I understand that these levels are only hypothetical, I am very concerned that an actual sequestration of this magnitude -- without regard to Presidential or Congressional priorities -- would do a great deal of damage to USIA.

The final results of our contingency planning for 1987 reductions are not yet available. The data contained in this document assume that a proportionate share of the hypothetical cuts would be assigned to each Agency element. This is not precisely how these reductions would actually be taken, but is the only approach that we have been able to take on short notice. In fact, we will allocate any actual reductions in accordance with the latest reading of priorities and program needs at the conclusion of our planning efforts.

USIA experienced serious funding reductions in the late 1960's and 1970's -- reductions from which the growth of the past few years has only partially allowed us to recover. In the current world situation, it would be most unfortunate if we were again to reduce substantially the U.S. Government's principal resource in the war of ideas. It is essential that we remain competitive.

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JUL 1[illegible] 1986

HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

The Honorable
Jack Brooks
Chairman
Committee on Government Operations
House of Representatives

We look forward to seeing the results of your Committee's endeavor. This kind of careful research can only help the national understanding of this far-reaching legislation.

Warm regards.

Sincerely,

Marvin Stone
Marvin L. Stone
Deputy Director

Questionnaire on Gramm-Rudman-Hollings Impact
Overview

The Soviets have entered vigorously into the war of ideas, and are willing to spend what is needed to win. The best estimates available indicate that the USSR spent about $2.1 billion in 1982 for activities comparable to those of USIA. (In the same year USIA spent $458 million.) We believe the USSR's allocation for these purposes has increased under the new Soviet leadership.

The President has made the strengthening of USIA a high priority. Congress has supported this effort and has provided its own mandate for doubling exchange programs, modernizing the Voice of America, establishing the National Endowment for Democracy and the Radio Marti Program.

An effective USIA is essential to counter Soviet efforts and to present firmly and widely America's story to the world. As noted in the accompanying materials, USIA's effectiveness will be seriously impaired by reductions of the magnitude noted. It is within this context that this reply has been prepared.

The following information is supplied in response to the questionnaire:

- -- Information relating to questions one and two is contained at Table I. This includes a list of all USIA budget accounts, including title and account number, identifying the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration. The effects of all supplemental funding is also included.
- -- Information relating to question three, effect of the 1986 sequestration, is contained at Table II.
- -- Information relating to questions four and five, hypothetical sequestrations for 1987 of 7.3 and 11.8 percent below the 1986 post Gramm-Rudman-Hollings level, is contained at Tables III and IV.
- -- Additional information on questions three, four, and five is contained in notes attached to the tables.
- -- The 1987 information contained herein is presented as reductions from the President's 1987 level. For example, Table III, 7.3 percent cut, actually represents a reduction of 19.1 percent from the President's level. Likewise, Table IV shows a total cut of 23.0 percent from the President's request.

Table I

UNITED STATES INFORMATION AGENCY

Information Requested By House Committee on Government Operations

Account Name	Account Number	Initial 1986 Appropriation (P.L. 99-180 and P.L. 99-190)	P.L. 99-177 Reduction	Percent Reduction	Transfer (P.L. 99-349)	Final Enacted Appropriation
Salaries and Expenses......................	67-0201	$571,000	$-24,553	4.30%	$3,900	$550,347
Educational and Cultural Exchange Programs.	67-0209	140,500	-6,042	4.30%	--	134,458
Radio Construction.........................	67-0204	114,000	-4,902	4.30%	-3,900	105,198
Radio Broadcasting to Cuba.................	67-0208	10,700	-460	4.30%	--	10,240
East West Center...........................	67-0202	20,750	-892	4.30%	--	19,858
National Endowment for Democracy...........	67-0210	18,000	-774	4.30%	--	17,226
Total, USIA............................	--	874,950	-37,623	4.30%	--	837,327

Table II

UNITED STATES INFORMATION AGENCY
1986 Sequestration (P.L. 99-177)

Information Requested by
House Committee on Government Operations
(Funds in thousands)

	Number Delayed/ Reduced	Base Amt. If Applicable	Funds Reduced	Percent Reduced
a) Delay Procurements (note a):				
I) Noncapital Acquisitions...	--	--	1,889	--
II) Capital Acquisitions:				
VOA Modernization.......	1	--	4,070	--
Other..................	--	--	830	--
b) Restrict Travel.................	--	18,700	789	4.2%
c) Restrict Training...............	--	12,397	278	2.2%
d) Freeze Hiring (6 Months):				
Permanent.....................	133	--	--	1.4%
Temporary.....................	121	--	--	43.2%
Other.........................	--	--	--	--
e) Furlough........................	--	--	--	--
f) Reduction in Force..............	--	--	--	--
g) Retire Early....................	--	--	--	--
h) Delay Maint & Repair (note h)...	13	--	1,000	--
i) Close Field Locations (note i)..	--	--	--	--

	1986 Sequestration (P.L. 99-177)			
	Number Delayed/ Reduced	Base Amt. If Applicable	Funds Reduced	Percent Reduced
j) Red. Service to Public (note j):				
I) Inspections................	--	--	--	--
II) Audits.....................	3	1,123	28	2.5%
III) Technical Assistance......	--	--	--	--
IV) Other......................	--	--	--	--
k) Red. Benefits to Public (note k)				
I) Grants......................		187,984	8,423	4.5%
II) Loans......................	--	--	--	--
III) Other.....................	6	13,744	1,077	7.8%
l) Raise User Fees.................	--	--	--	--
m) Other (note m)..................	--	--	19,239	--
Total, Reductions........	--	--	37,623	4.3%

*/ Does not include a reduction of $1.1 million made prior to the Gramm-Rudman-Hollings sequestration in response to a directive from the Senate Appropriations Committee (Sen. Rep. 99-150).

Table III

UNITED STATES INFORMATION AGENCY

1987 Sequestration - 7.3 Percent

Information Requested by
House Committee on Government Operations
(Funds in thousands)

	Number Delayed/ Reduced	Base Amt. If Applicable	Funds Reduced	Percent Reduced
a) Delay Procurements (Note A):				
I) Noncapital Acquisitions...	--	--	3,243	--
II) Capital Acquisitions:				
VOA Modernization.......	3	--	13,743	--
Other...................	--	--	2,602	--
b) Restrict Travel.................	--	20,304	1,533	7.6%
c) Restrict Training................	--	12,075	4,288	35.5%
d) Freeze Hiring (12 Months - Note D):				
Permanent......................	425	--	--	4.7%
Temporary......................	120	--	--	43.0%
Other..........................	12	--	--	7.0%
e) Furlough (Note D)...............	--	--	--	--
f) Reduction in Force (Note D).....	524	--	--	5.8%
g) Retire Early (Note D)...........	252	--	--	2.8%
h) Delay Maint & Repair (Note H)...	19	--	1,400	--
i) Close Field Locations (Note I)..	54	--	16,121	--

	1987 Sequestration - 7.3 Percent			
	Number Delayed/ Reduced	Base Amt. If Applicable	Funds Reduced	Percent Reduced
j) Red. Service to Public (Note J):				
I) Inspections...............	3	1,130	135	11.9%
II) Audits....................	3	1,129	135	12.0%
III) Technical Assistance......	--	--	--	--
IV) Other.....................	--	--	--	--
k) Red. Benefits to Public (Note K):				
I) Grants.....................	--	204,159	47,988	23.5%
II) Loans.....................	--	--	--	--
III) Other.....................	6	13,811	2,416	17.5%
l) Raise User Fees.................	--	--	--	--
m) Other (Note M)..................	--	--	89,391	--
Total, Reductions........	--	--	182,995	19.1%

UNITED STATES INFORMATION AGENCY

1987 Sequestration - 11.8 Percent

Information Requested by
House Committee on Government Operations
(Funds in thousands)

	Number Delayed/ Reduced	Base Amt. If Applicable	Funds Reduced	Percent Reduced
a) Delay Procurements (Note A):				
I) Noncapital Acquisitions...	--	--	4,431	--
II) Capital Acquisitions:				
VOA Modernization.......	4	--	16,800	--
Other..................	--	--	2,602	--
b) Restrict Travel.................	--	20,304	1,646	8.1%
c) Restrict Training...............	--	12,075	4,288	35.5%
d) Freeze Hiring (12 Months - Note D):				
Permanent....................	425	--	--	4.7%
Temporary....................	120	--	--	43.0%
Other........................	12	--	--	7.0%
e) Furlough (Note D)...............	--	--	--	--
f) Reduction in Force (Note D).....	813	--	--	9.0%
g) Retire Early (Note D)...........	252	--	--	2.8%
h) Delay Maint & Repair (Note H)...	39	--	1,400	--
i) Close Field Locations (Note I)..	61	--	19,660	--

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	1987 Sequestration - 11.8 Percent			
	Number Delayed/ Reduced	Base Amt. If Applicable	Funds Reduced	Percent Reduced
j) Red. Service to Public (Note J):				
I) Inspections................	6	1,130	258	22.8%
II) Audits.....................	6	1,129	258	22.9%
III) Technical Assistance......	--	--	--	--
IV) Other......................	--	--	--	--
k) Red. Benefits to Public (Note K):				
I) Grants......................	--	204,159	55,249	27.1%
II) Loans......................	--	--	--	--
III) Other.....................	6	13,811	3,065	22.2%
l) Raise User Fees.................	--	--	--	--
m) Other (Note M)..................	--	--	111,014	--
Total, Reductions........	--	--	220,671	23.0%

Note A

Questions 3(a), 4(a) and 5(a) - Procurement Delays

Non-Capital Acquisitions - Most of these reductions are associated with cutbacks in the VOA modernization effort. For 1986, these total $1.2 million. Other numerous small acquisitions total $.7 million.

For 1987, at the 7.3 percent level, we would cut back on leased broadcast time and guard services at relay stations. These would be augmented by cancellation of a contract with UPI, and cancellation of leases for Radio BRAS and Radio Antilles at the 11.8 percent level.

Capital Acquisitions - For 1986, we delayed the construction of a new high-power transmitting facility in Puerto Rico associated with the VOA modernization effort that totaled $4.1 million. Other numerous small capital acquisitions totaled $.8 million. At the 7.3 percent reduction level, USIA would delay 3 major capital acquisitions totalling $13.7 million. These are all related to the modernization of the broadcasting facilities of the Voice of America, and include delaying the production of transmitters and generators, as well as delaying acquisition of computer-aided design and drafting equipment.

In addition, we would delay numerous other small capital acquisitions totalling $2.6 million. These are scattered throughout the Agency, and represent office equipment, furniture, and related purchases.

At the 11.8 percent level, delays would total $19.4 million. These would include all of the above, with the addition of the production of transmitters and generators for the Botswana site ($2.6 million) -- plus an additional deferral of monitoring equipment ($.5 million).

Note D

Questions 4 (d - g) and 5 (d - g) - Impact on Personnel

A 7.3 percent funds reduction, applied across-the-board, would result in the elimination of 1,201 full-time permanent positions, consisting of 449 domestic, 234 overseas American, and 518 foreign nationals. Under an 11.8 percent funds reduction, the position cuts would be increased to 1,490 (484 domestic, 294 overseas American, and 712 foreign national). This would represent reductions of 12.5 and 15.5 percent, respectively, from the 1987 planned level.

In order to maximize the salary savings, we would want to implement the personnel cuts as early as possible in FY 1987. However, a personnel cut of this magnitude would be difficult to achieve, and it is extremely difficult to accurately forecast the exact methodology that would be used.

A combination of approaches would be required. We would continue and tighten our current hiring freeze throughout 1937 for the entire Agency and hire new personnel for only the most critical positions. We would also propose to offer early retirement through a discontinued service plan to all eligible Civil Service employees. Reductions in force would also be applied to foreign national employees and to Civil Service employees for certain limited occupational series. General reductions in force in the Civil Service would be used only as a last resort due to their disruptive and uncontrolled nature. Furloughs would also probably be used as necessary to offset severance pay, other personnel termination costs, and any other savings shortfall. The extent to which furloughs would be needed cannot be determined at this time.

The data provided on the tables for Items 4 (d - g) and 5 (d - g) are preliminary estimates based on projections of current employment trends, past experience, and across-the-board reduction lists. Further study and detailed analyses would be required to determine final estimates of personnel cuts and the means of achieving them.

Note H

Questions 3(h), 4(h) and 5(h)- Delay of Maintenance and Repair Projects

This category represents routine maintenance and repair projects to USIA facilities overseas. For 1986, we delayed 13 projects totalling $1.0 million. For 1987, delays would total $1.4 million. Reductions of this magnitude in our normal maintenance schedule would inevitably result in greater costs at a later date.

Note I

Questions 3(i), 4(i) and 5(i) - Closing Field Locations

No field locations will be closed as a result of the 1986 sequestration. For 1987, the USIA field offices shown on the attached list would be closed at the 7.3 and 11.8 percent reduction levels.

UNITED STATES INFORMATION AGENCY

Potential Field Location Closings
1987 Sequestration of 7.3 Percent

	Staff		
CLOSE LIBRARIES AND CENTERS	**AM**	**FSN**	**Funds**
Europe:			
Close Am Ctr Stockholm..........	0	1	$150,000
Close RLOC Paris................	0	2	165,827
Close Montreal Ref Lib..........	0	1	44,044
Restructure Copenhagen Library..	0	4	121,372
Restructure Helsinki Library....	0	4	140,670
Restructure The Hague Library...	0	1	62,822
Restructure Oslo Library........	0	2	66,367
Close Nicosia Library...........	0	5	129,835
Close Am Lib, Lisbon............	0	6	170,196
Subtotal, Libraries & Centers...	0	26	1,051,133
CLOSE BRANCH POSTS AND OFFICES			
East Asia & Pacific:			
Close Davao, Philippines........	1	7	211,000
Close Nagoya, Japan.............	1	8	793,000
Africa:			
Close all 6 Distrib. Outlets....	0	0	117,000
Close Kano, Nigeria.............	1	0	278,000
Close Douala, Cameroon..........	1	1	229,000
Close Ibadan, Nigeria...........	1	7	316,000
Close Lubumbashi, Zaire.........	1	5	125,000
Close Kaduna, Nigeria...........	1	6	213,000
Close Bujumbura, Burundi........	1	4	362,000
Close Kigali, Rwanda............	1	4	327,000
Close Bangui, Cent.Afr.Rep......	1	4	366,000
NEA:			
Close Nouakchott, Mauritania....	1	3	500,000
Close Beirut, Lebanon...........	2	11	521,000
Close Hyderabad, India..........	0	4	52,000
Close Dhahran, Saudi Arabia.....	2	2	263,000
Close Marrakech, Morocco........	1	5	184,000
Close Jeddah, Saudi Arabia......	1	5	308,000
Close No. India, India..........	2	35	539,000

	1978 Sequestration of 7.3 Percent		
	Staff		
	AM	FSN	Funds
American Republics:			
Close Cordoba, Argentina........	1	3	249,000
Close Guayaquil, Ecuador........	1	4	175,000
Close Grenada, Barbados.........	1	3	121,000
Close Maracaibo Venezuela.......	1	0	95,000
Close Salvador, Brazil..........	1	4	260,000
Close Porto Alegre, Brazil......	1	4	270,000
Europe:			
Close Trieste, Italy............	1	2	196,193
Close Seville, Spain............	0	1	30,000
Close Bilbao, Spain.............	0	1	30,000
Close Marseilles, France........	0	1	43,655
Close Bordeaux, France..........	0	1	43,655
Close Lyon, France..............	0	1	43,655
Close Strasbourg, France........	0	1	43,655
Close Turin, Italy..............	0	1	25,080
Close Oporto, Portugal..........	0	1	19,082
Close Bremen, Germany...........	0	1	35,000
Close Antwerp, Belgium..........	1	0	100,000
Close Izmir, Turkey.............	1	6	208,021
Close Barcelona, Spain..........	1	2	174,745
Close Genoa, Italy..............	1	3	219,361
Close Thessaloniki, Greece......	1	6	250,705
Close Dusseldorf, Germany.......	1	2	122,169
Subtotal, Branch Posts & Offices	32	159	8,458,976
CLOSE MISC. OFFICES			
Close Paris, France RBO.........	1	1	75,861
Close Bangkok, Thailand RBO.....	1	1	60,769
Close Monrovia, Liberia RLC.....	1	0	74,370
Close Munich, Germany News Bur..	1	3	284,000
Close Hong Kong News Bureau.....	1	1	188,000
Close Liberia Relay Station.....	14	97	5,928,000
Subtotal, Misc Offices	19	103	6,611,000
TOTALS, All Field Locations	51	288	16,121,109

UNITED STATES INFORMATION AGENCY

Potential Field Location Closings
1987 Sequestration - 11.8 Percent

	Staff		
CLOSE LIBRARIES AND CENTERS	AM	FSN	Funds
Europe:			
Close Am Ctr Stockholm..........	0	1	$150,000
Close RLOC Paris................	0	2	165,827
Close Montreal Ref Lib..........	0	1	44,044
Restructure Copenhagen Library..	0	4	121,372
Restructure Helsinki Library....	0	4	140,670
Restructure The Hague Library...	0	1	62,822
Restructure Oslo Library........	0	2	66,367
Close Nicosia Library...........	0	5	129,835
Close Am Lib, Lisbon............	0	6	170,196
Subtotal, Libraries & Centers...	0	26	1,051,133
CLOSE BRANCH POSTS AND OFFICES			
East Asia & Pacific:			
Close Davao, Philippines........	1	7	211,000
Close Nagoya, Japan.............	1	8	793,000
Close Chiang Mai, Thailand......	1	5	263,000
Close Medan, Indonesia..........	1	4	205,000
Close Christchurch, New Zealand.	1	2	182,000
Africa:			
Close all 6 Distrib. Outlets....	0	0	117,000
Close Kano, Nigeria.............	1	0	278,000
Close Douala, Cameroon..........	1	1	229,000
Close Ibadan, Nigeria...........	1	7	316,000
Close Lubumbashi, Zaire.........	1	5	125,000
Close Kaduna, Nigeria...........	1	6	213,000
Close Bujumbura, Burundi........	1	4	362,000
Close Kigali, Rwanda............	1	4	327,000
Close Bangui, Cent.Afr.Rep......	1	4	366,000
Close Cotonou, Benin............	1	5	454,000
Close Freetown, Sierra Leone....	1	7	495,000
NEA:			
Close Nouakchott, Mauritania....	1	3	500,000
Close Beirut, Lebanon...........	2	11	521,000
Close Hyderabad, India..........	0	4	52,000
Close Dhahran, Saudi Arabia.....	2	2	263,000
Close Marrakech, Morocco........	1	5	184,000
Close Jeddah, Saudi Arabia......	1	5	308,000
Close No. India, India..........	2	35	539,000
Close Madras, India.............	2	45	663,000
Close Lahore, Pakistan..........	2	30	631,000

	1987 Sequestration - 11.8 Percent		
	Staff		
	AM	FSN	Funds
American Republics:			
Close Cordoba, Argentina........	1	3	249,000
Close Guayaquil, Ecuador........	1	4	175,000
Close Grenada, Barbados.........	1	3	121,000
Close Maracaibo Venezuela.......	1	0	95,000
Close Salvador, Brazil..........	1	4	260,000
Close Porto Alegre, Brazil......	1	4	270,000
Close Belo Horizonte, Brazil....	1	5	280,000
Close Bahamas...................	1	3	282,000
Europe:			
Close Trieste, Italy............	1	2	196,193
Close Seville, Spain............	0	1	30,000
Close Bilbao, Spain.............	0	1	30,000
Close Marseilles, France........	0	1	43,655
Close Bordeaux, France..........	0	1	43,655
Close Lyon, France..............	0	1	43,655
Close Strasbourg, France........	0	1	43,655
Close Turin, Italy..............	0	1	25,080
Close Oporto, Portugal..........	0	1	19,082
Close Bremen, Germany...........	0	1	35,000
Close Antwerp, Belgium..........	1	0	100,000
Close Izmir, Turkey.............	1	6	208,021
Close Barcelona, Spain..........	1	2	174,745
Close Genoa, Italy..............	1	3	219,361
Close Thessaloniki, Greece......	1	6	250,705
Close Dusseldorf, Germany.......	1	2	122,169
Subtotal, Branch Posts & Offices	43	265	11,913,976
CLOSE MISC. OFFICES			
Close Paris, France RBO.........	1	1	75,861
Close Bangkok, Thailand RBO.....	1	1	60,769
Close Monrovia, Liberia RLC.....	1	0	74,370
Close Buenos Aries, Arg. RBO....	1	0	84,000
Close Munich, Germany News Bur..	1	3	284,000
Close Hong Kong News Bureau.....	1	1	188,000
Close Liberia Relay Station.....	14	97	5,928,000
Subtotal, Misc Offices..........	20	103	6,695,000
TOTAL, All Field Locations......	63	394	19,660,109

Note J

Questions 3(j), 4(j) and 5(j)- Reductions in Services to the Public

Parts I and II - Inspections and Audits - The Agency's Office of the Inspector General conducts audits, program evaluations, and investigative inquiries relating to programs and operations of the Agency. As a result of the 1986 sequestration 3 planned audits were cancelled. For 1987, at the 7.3 percent level, 3 fewer inspections and 3 fewer audits would be conducted. At the 11.8 percent level, an additional 3 inspections and 3 audits would not be conducted.

Note K

Question 3(k), 4(k) and 5(k)- Reductions in Benefits to the Public

Category I - Grants

Exchange Programs - Grants in USIA's exchange-of-persons programs were reduced by $6.2 million in 1986.

These programs -- which include the prestigious Fulbright academic exchange program and the International Visitors programs -- would be severely affected by reductions of the size contemplated for 1987. At the 7.3 percent level, we would eliminate $39.7 million of these grants -- a reduction of over 25 percent from the President's requested level which included $14.6 million to continue programs funded in 1986 with balances from prior-year appropriations principally for expanded exchanges in Central America. A cut of this magnitude would result in the elimination of at least 650 youth exchange grantees; 785 international visitors; and between 800 and 1,000 Fulbright scholarships. The 11.8 percent level would translate to a reduction of $45.2 million, or almost 30 percent from the planned level for 1987. Further cuts would be required in all exchange activities.

Program Support - The Agency recruits American speakers to explain U.S. policies and society to to overseas audiences; engages performing and fine arts groups for overseas performances, and conducts related activities. These programs were reduced by $.6 million in 1986, and would be reduced by $2.3 million or approximately 32% in 1987 at both the 7.3 percent and 11.8 percent levels.

National Endowment for Democracy - NED grants were reduced by $.8 million in 1986, and would be reduced by $4.1 million at the 7.3 percent level and $4.9 million at the 11.8 percent level. The Endowment feels that it is impossible to predict exactly which programs would be affected and to what degree: the allocation of Endowment resources depends on the receipt of qualified proposals, and the evaluation of the effectiveness of programs currently funded. Special priority will be given to proposals which creatively and meaningfully address the problems of democracy in the following critical areas: Central America, Haiti, Chile, the Philippines, Afghanistan, Poland and South Africa.

East-West Center - For 1986, East-West grant funds were reduced by $.9 million. For 1987, the Center would make across-the-board reductions totalling $1.9 million at the 7.3 percent level and $2.8 million at the 11.8 percent level. As in the case of the Endowment, it is extremely difficult to predict the exact methodology by which the cut would be taken.

Category III - Other

The Agency develops, produces, and operates over 35 theme exhibit showings per year, including solo exhibitions and participation in major trade fairs and U.S. Government exhibitions in events outside the U.S. that are sanctioned by the Bureau of International Exhibitions. This reduction would affect these exhibitions.

Note M

Question 3(m) - Other 1986 Reductions

Reductions in this category in 1986 totaled $19.2 million. The following is an explanation of these changes by appropriation and major activity.

Salaries and Expenses - $16.9 million

Overseas Missions - Reductions in this category were applied primarily to general operating funds and Washington-based support for our posts overseas; and to planned enhancements of our overseas staff, libraries, binational centers, and programs in Central America.

Voice of America - This reduction resulted in delays in the Caribbean Basin Initiative; reductions in VOA's language services; decreases in news and English language broadcasts; audience relations; postponement of planned enhancements in Pashto and Azerbaijani; delays in recruitment for the modernization effort; and for other aspects of VOA operations.

Educational and Cultural Affairs - Includes reductions in support for the Central American Initiative; the Bicentennial of the Constitution; English teaching materials; and other categories.

Television and Film Service - Includes reductions in the planned expansion of the WORLDNET program, as well as reductions in other aspects of the Service's operations, such as current events coverage, the video library, and production of films and documentaries.

Program Coordination, Production, and Support - Reductions were made in all areas of support to overseas posts.

Agency Direction and Management - Reductions were made in all areas of administrative support activities, such as commercial messenger service, overseas computer development support, and security investigations.

Educational and Cultural Exchange Programs - $1.0 million

Most of the reductions in this appropriation came from grants, as shown in item 3(k). This 3(m) reduction of $1.0 million represents the associated cut in the costs of administering the exchanges.

Radio Construction - $.8 million

The bulk of the reduction in this appropriation resulted from a delayed procurement, as shown in item 3(a). The remainder affected system engineering/technical support, land rentals, and postponement of some maintenance projects.

Radio Broadcasting to Cuba - $.5 million

This reduction represented cuts in all phases of the Radio Marti broadcast operation including news and programs, research, technical operations, and program direction and administration. Broadcast hours were not affected.

Question 4(m) - Other 1987 Reductions

A reduction of 7.3 percent below the 1986 post Gramm-Rudman-Hollings level would required cuts in this category totaling $89.4 million. The following is a explanation of these changes by appropriation and major activity.

Salaries and Expenses - $65.5 million.

Overseas Missions - Reductions in this category would consist of funds associated with the elimination of 212 positions in addition to those eliminated under specific overseas post closings as shown in Item 4(i) above; reductions in general operating funds and Washington-based support for our posts overseas; and reduced support for binational center, library operations German-American Institutes, regional book program and other activities.

Voice of America - Reductions would include a cut of 17.75 hours in VOA's daily broadcast schedule and reductions in domestic correspondent services, audience relations activities, home leave and transfer costs, diesel fuel inventory, personnel services, and advertising and research.

Educational and Cultural Affairs - Would include reductions in support for Central American institutions, in planned library enhancements, student services, book publishing programs, and other activities.

Educational and Cultural Exchange Programs - $1.0 million

Most of the reductions in this appropriation came from grants, as shown in item 3(k). This 3(m) reduction of $1.0 million represents the associated cut in the costs of administering the exchanges.

Radio Construction - $.8 million

The bulk of the reduction in this appropriation resulted from a delayed procurement, as shown in item 3(a). The remainder affected system engineering/technical support, land rentals, and postponement of some maintenance projects.

Radio Broadcasting to Cuba - $.5 million

This reduction represented cuts in all phases of the Radio Marti broadcast operation including news and programs, research, technical operations, and program direction and administration. Broadcast hours were not affected.

Question 4(m) - Other 1987 Reductions

A reduction of 7.3 percent below the 1986 post Gramm-Rudman-Hollings level would required cuts in this category totaling $89.4 million. The following is a explanation of these changes by appropriation and major activity.

Salaries and Expenses - $65.5 million.

Overseas Missions - Reductions in this category would consist of funds associated with the elimination of 212 positions in addition to those eliminated under specific overseas post closings as shown in Item 4(i) above; reductions in general operating funds and Washington-based support for our posts overseas; and reduced support for binational center, library operations German-American Institutes, regional book program and other activities.

Voice of America - Reductions would include a cut of 17.75 hours in VOA's daily broadcast schedule and reductions in domestic correspondent services, audience relations activities, home leave and transfer costs, diesel fuel inventory, personnel services, and advertising and research.

Educational and Cultural Affairs - Would include reductions in support for Central American institutions, in planned library enhancements, student services, book publishing programs, and other activities.

Television and Film Service - Reductions in this category would slow the full implementation of Worldnet, the Agency's new interactive television service, as follows: English to East Asia would be delayed until 1988; programming on the Spanish network to Latin America would be cut by approximately 50 percent; and final implementation of our network to Europe would be delayed.

Program Coordination, Production, and Support - Would primarily result in a reduction in research activities.

Agency Direction and Management - Would include reductions in communications expenses and security related activities; home leave and transfer costs; payments for rents and utilities, including payments to the General Services Administration under the Federal Building Fund Rent System; and reimbursements to the Department of State for support provided to our posts overseas. Also included are salaries and related expenses for reductions in support personnel identified in section 4(d) above.

Educational and Cultural Exchanges - $4.9 million

Most of the reductions in this apropriation would come from grants, as shown in item 4(k). This 4(m) reduction of $4.9 million represents reduced administrative costs because of the reduced grant level.

Radio Construction - $16.8 million

At this funding level, the Agency would eliminate planned transmission facilities in Central American and the Caribbean; delay implementation of the worldwide operations center and network control; delay construction of new studios; and effect other reductions.

Radio Broadcasting to Cuba - $2.2 million

Principal reductions would consist of funds associated with the elimination of 31 positions; the planned purchase of a backup transmitter; and decreased security services at the Marathon, Florida, broadcasting site.

Question 5(m) - Other 1987 Reductions - 11.8 Percent

The total reduction in this category would be $111.0 million. This is $21.6 million greater than the reductions described in response to question 4(m) above. All program reductions and amounts discussed below are in addition to those discussed in 4(m).

The following is an explanation of these changes by appropriation.

Salaries and Expenses - $18.6 million.

This includes deeper reductions in almost all areas of our overseas operations, including direct support from Washington, as described in 4(m) above; in broadcast operations (circuits, news services, music acquisitions, stringers, etc.) for the Voice of America; cessation of VOA interim broadcasting (until permanent facilities are built) in Quesada and Antigua; reductions in almost all non-WORLDNET television services; further reductions in student services and book publishing; and additional cuts in overall administrative support.

Educational and Cultural Affairs - $.7 million

Represents further reductions in costs of administering exchange programs reduced under 5(h) above.

Radio Construction - $1.9 million

Includes further reductions in propagation software development and in the worldwide operations center and network control.

Radio Broadcasting to Cuba - $.4 million

Represents across-the-board reductions in all areas of operations.

CHAIRMAN

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JUL 21 1986

HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

July 11, 1986

Honorable Jack Brooks
Chairman
Committee on Government Operations
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

In response to your June 26, 1986, request on the effects of Gramm-Rudman-Hollings sequestration, we submit the following information.

The U.S. International Trade Commission has only one budget account, titled "Salaries and Expenses", identification number 34-0100-0-1-153. The Balanced Budget and Emergency Deficit Control Act of 1985, or Gramm-Rudman-Hollings, resulted in a $1,230,000 or 4.3% reduction in the Commission's FY 1986 appropriation, reducing it from $28,600,000 to $27,370,000. Additional funding has neither been requested nor provided for this fiscal year as a result of the sequestration.

The overall plan to absorb this reduction in FY 1986 was to maintain as much as possible the Commission's current staff level and its commitment to remain up-to-date with office automation, while reducing other nonpersonnel support costs. Savings during the first quarter of FY 1986 due to Continuing Resolutions were applied to the reduction. Since the Commission was held at its FY 1985 level during this period, savings from salary costs, training, travel and other activities were applied to the sequestration. Additional reductions were made in support services such as postage, communications, rentals, printing, other services and supplies.

The Commission is preparing its FY 1987 and FY 1988 budgets and has just changed Chairmen. Therefore, I cannot tell you now how sequestrations in those years might be absorbed, other than to say that the Commission would comply with any required budget reductions.

If you need any additional information, please feel free to contact me or Richard Arnold, our Director of Finance and Budget, on 523-4517.

Sincerely,

Susan Liebeler
Chairman

Enclosure

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTE's. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency U.S. International Trade Commission

a) None delay procurements:
    I) _____ noncapital acquisitions: # delayed _____
        total $ amount _____
    II) _____ capital acquisitions: # delayed _____
        total $ amount _____
b) Yes restrict travel: total $ amount $136,000
    % of total travel budget 24%
c) Yes restrict training: total $ amount $82,000
    % of total training budget 27%
d) None freeze hiring: duration in months _____
    if not affecting whole agency, specify the components affected _____
    resultant reduction in workforce because of attrition:
        # & % of permanent employees reduced _____
        # & % of temporary employees reduced _____
        # & % of other employees reduced _____
e) None furlough: # of days _____
    # of people affected _____
    % of workforce involved _____
f) None rif: # of people affected _____
    % of workforce involved _____
g) None retire early: # of people affected _____
    % of workforce involved _____
h) None delay maintenance and repairs: # of projects _____
    total $ amount _____
i) N/A close field locations
    (specify where): Commission has no field locations
j) N/A reduce service to the public (specify component and program and give amount and percent of reduction in each):
    I) _____ inspections: amt. & % reduced _____
    II) _____ audits: amt. & % reduced _____
    III) _____ technical assistance: amt. & % reduced _____
    IV) _____ other (specify) _____: amt. & % reduced _____
k) N/A reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I) _____ grants: amt. & % reduced _____
    II) _____ loans: amt. & % reduced _____
    III) _____ other (specify) _____: amt. & % reduced _____
l) N/A raise user fees (specify component, program, and amount of increase in each): _____
m) N/A other (provide details): _____

THE POSTMASTER GENERAL
Washington, DC 20260-0010

July 14, 1986

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[illegible] 29 1986

HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

Honorable Jack Brooks
Chairman, Committee on Government
Operations
House of Representatives
Washington, D.C. 20515-6143

Dear Mr. Chairman:

This is in response to your June 26 letter transmitting for Postal Service comments a questionnaire on the impact of the Gramm-Rudman-Hollings legislation on this agency. Enclosed is our response to the questionnaire.

As you will note in the enclosed comments, the application of this legislation to the Postal Service differs markedly from its application to other Government agencies.

If you require any additional information, please contact William T. Johnstone, Assistant Postmaster General, Government Relations Department, on 268-3731.

Sincerely,

Albert V. Casey

Enclosure

THE POSTMASTER GENERAL
Washington, DC 20260-0010

JUL 14 1986

JUL [illegible]

Honorable Jack Brooks
Chairman, Committee on Government
Operations
House of Representatives
Washington, D.C. 20515-6143

Dear Mr. Chairman:

This is in response to your June 26 letter transmitting for Postal Service comments a questionnaire on the impact of the Gramm-Rudman-Hollings legislation on this agency. Enclosed is our response to the questionnaire.

As you will note in the enclosed comments, the application of this legislation to the Postal Service differs markedly from its application to other Government agencies.

If you require any additional information, please contact William T. Johnstone, Assistant Postmaster General, Government Relations Department, on 268-3731.

Sincerely,

(Signed) Albert V. Casey

Albert V. Casey

Enclosure

QUESTIONNAIRE ON GRAMM-RUDMAN-HOLLINGS IMPACT

Question:

1. Please provide a list of all the budget accounts (include title and account number) for which you are responsible and identify the dollar amount and percentage of reduction that occurred for each as a result of the February/March 1986 sequestration.

Answer:

Account No.	Title	Reduction	%
18-1001-0-1-372	Payment to the Postal Service Fund-Revenue Forgone	32,164	4.3
18-4020-0-3-372	Postal Service Fund	50,908	4.3*

* This amount is computed as 4.3% of Postal Service administrative expenses as defined by the General Accounting Office. Please see the response to question 3m.

Question:

2. Please identify any of the budget accounts listed above that were subsequently provided with additional funding as a result of reprogramming, transfers, supplemental appropriations, or other actions. Provide the dollar amount of the additional funding.

Answer:

Additional funding to replace the reduction to Account No. 18-1001-0-1-372, Payment to the Postal Service Fund-Revenue Forgone, of $32,164,000 was obtained through adjusted Postal rates for preferred rate mailers which offset the subsidy they would have received through the Revenue Forgone appropriation.

Question:

3. Please specify which of the following actions you found it necessary to take to accommodate any reductions in funding resulting from the sequestration. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTEs. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency: U.S. Postal Service-Postal Service Fund

a)__N/A__delay procurements:
I)______noncapital acquisitions: # delayed_____
total $ amount______
II)______capital acquisitions: # delayed_____
total $ amount_____
b)__N/A__restrict travel: total $ amount_____
% of total travel budget_____
c)__N/A__restrict training: total $ amount_____
% of total training budget_____
d)__N/A__freeze hiring: duration in months_____
if not affecting whole agency, specify
the components affected_____________
resultant reduction in workforce
because of attrition:
# & % of permanent employees
reduced_________
# & % of temporary employees
reduced_________
# & % of other employees
reduced_________
e)__N/A__furlough: # of days________
# of people affected_______
% of workforce involved_______
f)__N/A__rif: # of people affected_______
% of workforce involved______
g)__N/A__retire early: # of people affected_______
% of workforce involved______
h)__N/A__delay in maintenance and repairs: # of projects______
total $ amount______
i)__N/A__close field locations (specify where):_________________
j)__N/A__reduce service to the public (specify component and program and give amount and percent of reduction in each):
I)______inspections: amt. & % reduced______
II)______audits: amt. & % reduced______
III)______technical assistance: amt. & % reduced______
IV)______other (specify)______: amt. & % reduced______
k)__N/A__reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
I)______grants: amt. & % reduced______
II)______loans: amt. & % reduced______
II)______other (specify)______: amt. & % reduced______
l)__N/A__raise user fees (specify component, program, and amount of increase in each):_____________________
m)___X___other (provide details):___________________________

Section 255(g)(1) of the Balanced Budget Act recognizes the exemption of the Postal Service Fund from any sequester order, and the provisions dealing with administrative expenses, section 256(b)(2), apparently recognizes that some self-supporting accounts are exempt. However, the Postal Service recognizes its responsibilities under its own balanced budget legislation, the Postal Reorganization Act. Pursuant to the mandate under the Postal Reorganization Act of providing efficient, economical service to the postal customers, the Postal Service has initiated a series of comprehensive reviews to identify major opportunities to enhance both service and financial position. As a result of these reviews, the Postal Service Fund financial results for Fiscal Year 1986 will be improved by at least the $50,908,000 amount without deterioration of service or adverse impact on employees.

Question:

4. Assuming a government-wide sequester in Fiscal Year 1987 of $20 billion which could reduce your funding by about 7.3 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTEs. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency: U.S. Postal Service

Estimated amount of reduction: No estimate available

a) N/A delay procurements:
    I) ______ noncapital acquisitions: # delayed______
        total $ amount______
    II) ______ capital acquisitions: # delayed______
        total $ amount______
b) N/A restrict travel: total $ amount______
    % of total travel budget______
c) N/A restrict training: total $ amount______
    % of total training budget______
d) N/A freeze hiring: duration in months______
    if not affecting whole agency, specify
    the components affected______________
    resultant reduction in workforce
    because of attrition:

# & % of permanent employees reduced__________
# & % of temporary employees reduced__________
# & % of other employees reduced__________

e)__N/A__furlough: # of days__________
# of people affected_______
% of workforce involved______

f)__N/A__rif: # of people affected_______
% of workforce involved_______

g)__N/A__retire early: # of people affected_______
% of workforce involved______

h)__N/A__delay in maintenance and repairs: # of projects______
total $ amount______

i)__N/A__close field locations (specify where):________________

j)__N/A__reduce service to the public (specify component and program and give amount and percent of reduction in each):

I)______inspections: amt. & % reduced______
II)______audits: amt. & % reduced______
III)______technical assistance: amt. & % reduced______
IV)______other (specify)______: amt. & % reduced______

k)__N/A__reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):

I)______grants: amt. & % reduced______
II)______loans: amt. & % reduced______
II)______other (specify)______: amt. & % reduced______

l)__N/A__raise user fees (specify component, program, and amount of increase in each):______________________

m)___X___other (provide details):______________________________

Any reductions to payments to the Postal Service Fund for Revenue Forgone would be offset by rate adjustments for preferred rate mailers. An extension of Fiscal Year 1986 policies to Fiscal Year 1987 would dictate that the attainment of voluntary reductions to the Postal Service Fund administrative expenses are dependent on overall financial performance. It is not possible at this time to predict how any reductions would impact the Postal Service in the future.

5. Assuming a government-wide sequester in Fiscal Year 1987 of $30 billion which could reduce your funding by about 11.8 percent below Fiscal Year 1986 funding levels after adjustment for Gramm-Rudman-Hollings sequestration and subsequent supplementals, how would the operations of your department/agency be affected? Please specify the estimated dollar amount of the department/agency-wide reduction which you would experience. In addition, please specify which of the following actions you would find it necessary to take

under such conditions. Answer sub-questions "a" through "i" for your overall department/agency. Answer sub-questions "j" through "l" for each of your principal sub-department/agency components. Answer pertinent questions in terms of the actual number of people involved rather than FTEs. Attach additional sheets of paper wherever you find it necessary to provide and/or explain all the information requested.

Department/agency: U.S. Postal Service

Estimated amount of reduction: No estimate available

a)__N/A__delay procurements:
I)______noncapital acquisitions: # delayed_____
total $ amount______
II)______capital acquisitions: # delayed_____
total $ amount_____
b)__N/A__restrict travel: total $ amount_____
% of total travel budget_____
c)__N/A__restrict training: total $ amount_____
% of total training budget_____
d)__N/A__freeze hiring: duration in months_____
if not affecting whole agency, specify the components affected_____________
resultant reduction in workforce because of attrition:
# & % of permanent employees reduced_________
# & % of temporary employees reduced_________
# & % of other employees reduced_________
e)__N/A__furlough: # of days________
# of people affected_______
% of workforce involved_______
f)__N/A__rif: # of people affected______
% of workforce involved_____
g)__N/A__retire early: # of people affected_______
% of workforce involved______
h)__N/A__delay in maintenance and repairs: # of projects______
total $ amount______
i)__N/A__close field locations (specify where):________________
j)__N/A__reduce service to the public (specify component and program and give amount and percent of reduction in each):
I)______inspections: amt. & % reduced______
II)______audits: amt. & % reduced______
III)______technical assistance: amt. & % reduced______
IV)______other (specify)______: amt. & % reduced______

k)__N/A__reduce benefits available to the public (specify component and program and give amount and percent of reduction in each):
    I)______grants: amt. & % reduced______
    II)______loans: amt. & % reduced______
    II)______other (specify)______: amt. & % reduced______
l)__N/A__raise user fees (specify component, program, and amount of increase in each):____________________
m)__X__other (provide details):________________________

Any reductions to payments to the Postal Service Fund for Revenue Forgone would be offset by rate adjustments for preferred rate mailers. An extension of Fiscal Year 1986 policies to Fiscal Year 1987 would dictate that the attainment of voluntary reductions to the Postal Service Fund administrative expenses are dependent on overall financial performance. It is not possible at this time to predict how any reductions would impact the Postal Service in the future.

Office of the
Administrator
of Veterans Affairs

Washington DC 20420

Veterans
Administration

RECEIVED
In Reply Refer To:
JUL 31 1986
HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

JUL 30 1986

Honorable Jack Brooks
Chairman
Committee on Government Operations
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Attached is the Agency's initial report on the impact of Public Law 99-177 (Gramm-Rudman-Hollings) on the programs operated by the Veterans Administration. This attachment, which is in response to your letter of June 26, 1986, discusses in detail the 1986 impact of sequestration on the benefit programs (question 1, 2, and 3(k)).

As you are aware, responses of this nature must be reviewed by the Executive Branch prior to being transmitted. It was not possible for the Veterans Administration to accumulate the information for the various benefit programs and have the response fully coordinated prior to either the July 11, 1986 or July 15, 1986, deadlines.

The Agency is currently developing responses on the impact of sequestration in 1986 (question 1 through 3) on the remaining programs operated by the Veterans Administration. In addition, responses are being prepared with regard to the impact of a 7.3 percent (question 4) and 11.8 percent (question 5) sequestration in 1987.

Sincerely,

THOMAS K. TURNAGE
Administrator

Attachments

"America is #1—Thanks to our Veterans"

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VA BENEFIT PROGRAMS
($'s in 000)

NAME OF PROGRAM	PRE-SEQUESTRATION BASE BA	SEQUESTRATION	(% REDUCTION)	POST-SEQUESTRATION	IMPACT
Compensation (36-0153-0-1-701)	$10,465,000	-0-	(0%)	$10,465,000	Exempt from sequestration.
Pensions (36-0154-0-1-701)	3,834,000	-1,315 (approved reprogram to burial)	(0%)	3,832,685	Exempt from sequestration; $1,315,000 reprogrammed from pensions to burial benefits to support certain costs of a contractual nature.
Burial benefits (36-0155-0-1-701)	133,800	$-5,801	(4.3%)	127,999	
Approved reprogram from Pensions:		+1,315		+1,315	
Total	133,800	-4,486		129,314	
Subactivities:					
Burial Allowances	(43,926)	(-1,904)	(4.3%)	(42,022)	Rates reduced 7.75% for obligations made between March 1, 1986 and September 30, 1986.
Burial plot allowance	(47,150)	(-2,044)	(4.3%)	(45,106)	7.75% reduction.
Service connected deaths	(8,825)	(-383)	(4.3%)	(8,442)	7.75% reduction.
Headstone allowance	(3,588)	(-155)	(4.3%)	(3,433)	7.75% reduction.
All other	(30,311)	(...)	(...)	(30,311)	Primarily because of the contractual nature of these benefits, the Agency received one-time reprogramming authority from Congress. As a result these benefit were not reduced. These benefits are: burial flags, headstone/markers; retired officer benefits; adjusted service and dependents pay; special allowence dependents; and mortgage insurance for service-disabled veterans who have received grants for specially adapted housing.

VA BENEFIT PROGRAMS
($'s in 000)

NAME OF PROGRAM	PRE-SEQUESTRATION BASE BA	SEQUESTRATION	(% REDUCTION)	POST-SEQUESTRATION	IMPACT
Readjustment benefits (36-0137-0-1-702)	$917,000	-39,431	(4.3%)	$877,569	The pre-sequestration base number includes a program supplemental of $91 million. The supplemental was approved on July 2, 1986.
Subactivities:					
Education and training:					
(Vietnam-era veterans)	(669,861)				
(Sons and daughters)	(108,087)				
(Spouses and widow(ers))	(10,055)				
Total	(788,003)	(-33,885)	(4.3%)	(754,118)	Education benefit payments obligated between March 1, 1986 and September 30, 1986 will be reduced 8.7%.
Vocational rehabilitation	(102,774)	(-4,419)	(4.3%)	(98,355)	Monthly subsistence payments obligated between March 1, 1986 and September 30, 1986 will be reduced 13.1%. However, costs for books, tuition and other costs which are provided in-kind will be fully funded.
Specially adapted housing grants	(14,029)	(-603)	(4.3%)	(13,426)	Grants approved between March 1, 1986 and September 30, 1986 have been reduced 8%.
Automobiles, adaptive equipment	(12,194)	(-524)	(4.3%)	(11,670)	Grants approved for payment between March 1, 1986 and September 30, 1986 have been reduced 8%.

NOTE: In addition, funds for the New GI Bill Education program are paid from this account. These funds are transferred from the Department of Defense and Department of Transportation. As such, these offsetting collections from other government agencies were not subject to VA sequestration. DOD was given limited reprogramming authority in 1986, and used this authority to reprogram resources in order to fully fund this program.

VA BENEFIT PROGRAMS
($'s in 000)

NAME OF PROGRAM	PRE-SEQUESTRATION BASE BA	SEQUESTRATION	(% REDUCTION)	POST-SEQUESTRATION	IMPACT
Reinstated Entitlement Program for Survivors (36-0200-0-1-701)	-0-	-0-	-0-	-0-	Funds are transferred from Department of Defense and were not subject to VA sequestration. Program will be fully funded in 1986.
Veterans' Job Training (36-0103-0-1-702)	-0-	-0-	-0-	-0-	Funds in this program were not appropriated in 1986. As such, these funds were not classified as new budget authority and not impacted by the 1986 sequestration process.
Vocational Rehabilitation Revolving fund (36-4114-0-3-702) (Direct Loans to veterans)	-0- (1,069)	-0- (-46)	-0- (4.3%)	-0- (1,023)	Represent interest free loans made to disabled veterans enrolled in a vocational rehabilitation program. The loan can not exceed two times the monthly vocational rehabiilitation subsistence payment. The 13.1% reduction in vocational rehabilitation payments resulted in a reduction in the maximum loan from $620 to $538. Only the maximum loans were reduced. The new maximum was established at $538.

VA BENEFIT PROGRAMS
($'s in 000)

NAME OF PROGRAM	PRE-SEQUESTRATION BASE BA	SEQUESTRATION	(% REDUCTION)	POST-SEQUESTRATION	IMPACT
Education loan fund (36-4118-0-3-702) (Education loans)	-0- (50)	-0- (-2)	-0- (4.3%)	-0- (48)	February and March 1986 activity was substantially over the estimated levels. As a result the limitation was reached and the program was in effect closed to new loans at the end of March 1986.
Post-Vietnam Veterans Education Account (36-8133-0-7-702)	-0-	-0-	(-0-)	-0-	This program is funded by transfers from DOD and the servicemember's contributions. As such, these funds were not subject to VA sequestration. This program will be fully funded in 1986.
Loan Guaranty Revolving fund (36-4025-0-3-704) Loan commitment authority	200,000 (12,084,543)	-0- (-515,420)	(-0-%) (4.3%)	200,000 (11,569,123)	Appropriated funds are primarily used to support prior legal authority. Sequestration did however, place a limitation on the level of home loan commitments. Congress has subsequently increased the pre-sequestration base to $18.2 billion ($17.4 billion after sequestration) and $40 billion ($38.8 billion after sequestration). The increase in the loan commitment authority has enabled the program to operate uninterrupted, without change, during the fiscal year.

VA BENEFIT PROGRAMS
($'s in 000)

NAME OF PROGRAM	PRE-SEQUESTRATION BASE BA	SEQUESTRATION	(% REDUCTION)	POST-SEQUESTRATION	IMPACT
Direct loan revolving fund (36-4024-0-3-704)	-0-	-0-	(-0-%)	-0-	
Direct loan	(989)	(-43)	(4.3%)	(946)	The limitation on direct loans was reduced from $989,000 to $946,000. It was estimated, however, that loans would have totaled only $235,000 in 1986. As a result, the program has operated without change.
Veterans Insurance and Indemnities (36-0120-0-1-701)	9,750	-5	(-.1%)	9,745	GAO determined that a majority of the insurance programs' activity represented a prior legal commitment i.e. the obligation/commitment made in the insurance program. However, it was determined that policy loans could be sequestered.
Policy loans	(115)	(-5)	(4.3%)	(110)	
Service-Disabled Veterans Insurance (36-4012-0-3--701)	-0-	-0-	(-0-%)	-0-	
Policy loans	(6,911)	(-297)	(4.3%)	(6,614)	It was also necessary to reduce the maximum borrowing authority from 94% to 76% of the face value of the loans. This restriction would apply to loans made between April 1, 1986 and September 30, 1986.

VA BENEFIT PROGRAMS
($'s in 000)

NAME OF PROGRAM	PRE-SEQUESTRATION BASE BA	SEQUESTRATION	(% REDUCTION)	POST-SEQUESTRATION	IMPACT
Veterans Reopened Insurance fund (36-4010-0-3-701)	-0-	-0-	(-0-%)	-0-	
Policy loans	(5,970)	(-257)	(4.3%)	(5,713)	The percentage of reserve value (cash value) that can be borrowed has been reduced from 94% to 59%.
Servicemen's Group Life Insurance (36-4009-0-3-701)	-0-	-0-	(-0-%)	-0-	
Policy loans		None			There are no policy loans in this program. As a result, this program was not sequestered.
National Service Life Insurance Trust fund (36-8132-0-7-701)	-0-	-0-	(-0-%)	-0-	
Policy Loans	(102,610)	(-4,412)	(4.3%)	(98,198)	
United States Government Life Insurance (36-8150-0-7-701)	-0-	-0-	(-0-%)	-0-	
Policy Loans	(1,630)	(-70)	(4.3%)	(1,560)	Interest rates in this program are established by law at 5%. It was necessary to reduce the policyholder's borrowing authority from 94% to 10%.
Veterans Special Life Insurance (36-8455-0-8-701)	-0-	-0-	(-0-%)	-0-	
Polciy Loans	(11,870)	(-510)	(4.3%)	(11,360)	